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NAME OF AUTHOR	John Errol Black
TITLE OF THESIS	Manpower Policy: A Review and Assessment of the Experience in Manitoba
DEGREE FOR WHICH THESIS WAS PRESENTED	MA
YEAR THIS DEGREE GRANTED	Spring 1973

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THE UNIVERSITY OF ALBERTA

MANPOWER POLICY: A REVIEW AND ASSESSMENT  
OF THE EXPERIENCE IN MANITOBA

by



ERROL BLACK

A THESIS

SUBMITTED TO THE FACULTY OF GRADUATE STUDIES AND RESEARCH  
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE  
OF MASTER OF ARTS

DEPARTMENT OF ECONOMICS

EDMONTON, ALBERTA

SPRING, 1973





UNIVERSITY OF ALBERTA  
FACULTY OF GRADUATE STUDIES  
AND RESEARCH

The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies and Research for acceptance, a thesis entitled Manpower Policy: A Review and Assessment of the Experience in Manitoba submitted by J. E. Black in partial fulfilment of the requirements for the degree of Master of Arts.





## ABSTRACT

This thesis examines the role of manpower policy in Canada, emphasizing in particular its contribution to the solution of the poverty problem and the problems of disadvantaged groups. The analysis reveals that the neo-classical model of the labour market from which manpower policy is derived contains fundamental contradictions which are reflected in its content and administration. These contradictions have forced other agencies of governments concerned with poverty and the disadvantaged to attempt to compensate by introducing supplementary programs. The experience in Manitoba indicated that these attempts have been unsuccessful.

The results of the analysis suggest that present manpower policy is impotent with respect to poverty and the disadvantaged because of the inadequacies of the model of the labour market on which it is based. If manpower policy is to contribute to the solution of socio-economic problems, this policy should originate in a conceptual framework which captures the realities of contemporary labour market conditions.

The essential features of a dual labour market model are identified and discussed in relation to socio-economic problems. It is proposed that this model should provide the basis for the development of manpower policy. The implications of this model for economic policy are reviewed, and the general features of a manpower policy consistent with the model identified. It is acknowledged that the specific measures which are proposed will not produce an immediate transformation in labour market conditions. These measures would, however, be more effective than





those which are currently employed; and their introduction would set the stage for subsequent changes in both labour markets and the mode of production.



## ACKNOWLEDGEMENTS

This thesis is approximately seven years overdue. That it has been done at all is attributable to relentless prodding--harassment might be the better term--from my good friend G.F. MacDowell. The opportunity to work on the particular topic selected for the thesis was provided by the Manitoba Government. I was invited in the summer of 1971 to be a participant in a working group established for the purpose of reviewing provincial manpower policy. As a participant in this group, I was given complete access both to pertinent information and to the individuals responsible for the administration of manpower programs in Manitoba. Moreover, my colleagues on the working group provided much helpful encouragement and criticism as I attempted to establish a conceptual framework for a provincial manpower policy. They subsequently rejected both the model and the concrete proposals derived from it as being politically unacceptable. The decision to expand the paper which I had prepared for the working group into a M.A. thesis was prompted by a suggestion from G.F. MacDowell.

In the process of converting the original paper to a thesis, I have received much valuable assistance from G.F. MacDowell, Paul Stevenson, David M. Gordon, Bruce McKellips, B.W. Wilkinson, Sheila Powell and Margaret Black.





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## CHAPTER I

### INTRODUCTION

In the first fifteen years after World War II, the government in Canada--and other western nations--relied almost exclusively on general economic policies, in particular, fiscal and monetary policies to achieve economic and social objectives. Emergence of a serious unemployment problem, complicated by persistent increases in the general price level --"creeping inflation"--in 1958 precipitated a search for new policies. Government economic policy as it evolved in the 1960's was, therefore, characterized by an increasing use of selective policies both to supplement general economic policies in the achievement of aggregate goals, for example, full employment; and to compensate for the limitations of general policies in the achievement of constituent goals, for example, reducing unemployment in specific components of the labour force. Of particular importance in this respect is "manpower" policy, which is currently defined to include all actions of government intended to influence either the operations of the labour market or the behaviour of the labour supply.

Government intervention in the labour market and efforts to alter the size and composition of the labour supply are by no means recent innovations. The federal government has had an immigration policy since the last century and its initiatives to improve the organization of the labour market and to ensure the availability of trained manpower date back to at least the second decade in this century. These efforts



tended, however, to be ad hoc and fragmented because of the division of responsibilities in the manpower field between the two senior levels of government and the absence of a conceptual framework for manpower policy.<sup>1</sup>

The inter-governmental division of responsibilities in the manpower field was clarified in 1941. In that year, the provincial governments, in an amendment to the British North America Act, relinquished certain responsibilities for the organization of the labour market to the federal government. This action on their part was motivated by a desire for the implementation of a national unemployment insurance scheme and the strengthening of the existing labour exchange system. The manpower field was, however, much more narrowly defined in 1941 than it is at present. Therefore, jurisdiction in fields now considered relevant to manpower policy, for example, education, is that which prevailed before the 1941 amendment.

In the period 1941-60, with the exception of the war years, the objectives and instruments of manpower policy were primarily concerned with improving the allocative function of the labour market mechanism--matching unemployed workers and vacant jobs--and augmenting the labour force through immigration. The major impetus for the articulation of a manpower policy and the rationalization and expansion of manpower programs in the 1960's originated, somewhat paradoxically, in a partial

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<sup>1</sup>See Donald Glendenning, A Review of Federal Legislation Relating to Technical and Vocational Education in Canada, (Ottawa, Department of Manpower and Immigration, 1968); Functions and Objectives of the National Employment Service, (Ottawa: National Employment Service, 1962); and D.C. Corbett, Canada's Immigration Policy; (Toronto: University of Toronto Press, 1957); for surveys of federal policies with respect to vocational training, labour market organization and immigration, respectively.





misconception with respect to the origins of the unemployment problem in the late 1950's and early 1960's-- the unemployment rates in 1958, 1959, 1960, and 1961 were 7.0, 6.0, 7.0 and 7.1 percent, respectively.

Two opposing explanations for the problem were offered by economists. One explanation attributed the problem to deficient demand and indicated that it could be corrected with appropriate changes in fiscal and monetary policies. The second explanation suggested that the source of the problem was to be found in a structural transformation in the economy which produced an imbalance between the skills of workers and the requirements of employers. Technological changes, shifts in consumer demand, the exhaustion of natural resources in particular localities, and changes in the organization and ownership of industries which resulted in the relocation of economic activities, were identified as the critical features of this transformation.<sup>2</sup> The unemployment produced by these factors was not amenable to solution by the manipulation of monetary and fiscal policies. Selective policies, in particular more sophisticated manpower policies were required.

The "deficient demand" hypothesis was not well received by government because it implied that the existing mix of government policies had caused the unemployment problem. Moreover, this hypothesis was unable to demonstrate that "creeping" inflation was compatible with a lack of effective demand. In contrast the "structuralist" hypothesis appeared to vindicate government policies, and, at the same time, proposed mea-

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<sup>2</sup>H. D. Woods and Sylvia Ostry, Labour Policy and Labour Economics in Canada, (Toronto: MacMillan of Canada, 1962), pp. 377-8.



asures that would contribute to the reduction of unemployment without generating additional pressures on prices. The federal government embraced the latter hypothesis, and introduced the prescribed policy measures in 1960, 1961 and 1962.

Employment conditions improved after 1962 because of changes in fiscal and monetary policies and the devaluation of the Canadian dollar; the contribution of manpower programs to this improvement was, it would seem, largely indirect and marginal. The emphasis of policy considerations gradually shifted to the problem of maintaining price stability in an expanding economy. This shift necessitated a new rationale for the manpower programs which had been introduced as a remedy for unemployment. Some economists identified policies designed to eliminate bottlenecks in the supply of labour and frictions in the labour market-- manpower policies-- as appropriate techniques for reducing pressures on prices.

In 1964, the Economic Council of Canada, anticipating the emergence of inflationary pressures, stressed the importance of an efficient utilization of labour and advocated the adoption of an "active" manpower policy:

"High employment can be sustained without rising prices and a deterioration of the nations balance of payments only if there is an efficient use of manpower services ...[manpower] policy facilitating fuller and more efficient use of manpower must have the status of an important national economic policy integrated with general fiscal and monetary policy..."<sup>3</sup>

The Economic Council recommended the establishment of a special

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<sup>3</sup>Economic Council of Canada, First Annual Review: Economic Goals for Canada to 1970, (Ottawa: Queens Printer, 1964).





manpower agency to assume responsibility for the administration of manpower policy. The Second Annual Review of the Economic Council, issued in 1965, identified training, mobility and placement as critical elements in an "active" manpower policy. It also expanded on its 1964 recommendation for reorganization, urging the creation of an agency with sole responsibility for the implementation of the manpower policy and coordination of all policies and programs relating to the labour market.<sup>4</sup>

The government committed itself to an active manpower policy and in October, 1966 passed legislation implementing the specific recommendations of the Economic Council with respect to the reorganization of administrative responsibilities. This legislation provided for the establishment of a Department of Manpower and Immigration which was to be responsible for the administration of all services affecting the supply of labour. The main benefit expected from this innovation was improved efficiency in the deployment of such services. In its initial year of operation the new department revised the training and mobility programs and changed immigration regulations to give them an orientation consistent with an active manpower policy.

The focus of Canada's manpower policy was succinctly stated in the first annual report of the department: "... to further the economic growth of Canada by endeavoring to ensure that the supply of manpower matches the jobs to be done now and in the future."<sup>5</sup> This statement

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<sup>4</sup>Economic Council of Canada, Second Annual Review: Towards Sustained and Balanced Economic Growth, (Ottawa: Queens Printer, 1965).

<sup>5</sup>Canada Department of Manpower and Immigration, Annual Report, 1967-1968, (Ottawa: The Queens Printer, 1968), p. 1.



was subsequently refined, and expanded to include other objectives in 1969: "... to contribute to the attainment of the economic and social goals of Canada by optimizing the use, quality and mobility of all manpower resources available to the country."<sup>6</sup>

The economic and social goals as they were interpreted by the department are those enunciated by the Economic Council in its initial report: full employment, a high rate of economic growth, reasonable stability of prices, a viable balance of payments and an equitable distribution of rising incomes.<sup>7</sup> The department is, however, primarily concerned with efficiency considerations, and the objectives of economic growth, full employment and reasonable price stability; and only incidentally concerned with equity considerations and the objective of an equitable distribution of rising incomes. This assignment of priorities is reflected in the content and administration of the Department's programs.

The neglect of equity considerations has produced much criticism of Canada's manpower policy by both commissions and task forces of government and independent organizations. Of particular concern is the absence of programs to reduce poverty and to alleviate the plight of disadvantaged components of the population. It is argued that these omissions or "gaps" have necessitated the introduction of compensatory

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<sup>6</sup>This statement originally appeared in, Brief to the Special Senate Committee on Poverty, (Ottawa: Canada Department of Manpower and Immigration, June, 1969). Apparently it has become official dogma. See Canada Department of Manpower and Immigration, Annual Report, 1970-71, (Ottawa: The Queens Printer, 1971), p. 1.

<sup>7</sup>Economic Council of Canada, First Annual Review: Economic Goals for Canada to 1970, (Ottawa: Queens Printer, 1964).





programs by other government agencies--both federal and provincial--having responsibilities with respect to these problems, thereby, fragmenting the manpower effort in Canada.<sup>8</sup>

This thesis examines the current state of manpower policy in Canada. Its purposes are: first, to establish the potential of manpower policy to contribute to the reduction of poverty and the alleviation of the plight of the disadvantaged; and second, to propose necessary reforms in manpower policy. To simplify the study, it is confined to the experiences in one province, Manitoba. Manitoba is an "average" province in certain respects; both per capita income and the incidence of low income recipients are close to the Canadian averages. It is a "non-average" province with respect to the proportion of people of Indian ancestry in the population--the major disadvantaged minority in Canada. This group -- Indian and Metis-- comprises approximately 2.5 percent of the Canadian population, almost 6.0 percent of the Manitoba population.<sup>9</sup> It is to be expected, therefore, that the impact of manpower policy on the poor and the disadvantaged in Canada will be reflected in the Manitoba experience.

The examination begins in Chapter II with an analysis of the conceptual framework on which manpower policy in Canada is based. Chapter

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<sup>8</sup> See for example, Report of the Royal Commission on the Status of Women, (Ottawa: Queens Printer, 1970); Report of the Federal Government Task Force on Youth, (Ottawa: Queens Printer, 1971); Report of the Special Senate Committee on Poverty in Canada, (Ottawa: Queens Printer, 1971); and Ian Adams, William Cameron, Brian Hill and Peter Penz, The Real Poverty Report, (Edmonton: M.G. Hurtig Ltd., 1971).

<sup>9</sup> The estimate for Canada is contained in, Report of the Special Senate Committee on Poverty in Canada; the estimate for Manitoba is based on data published by the Community Welfare Planning Council, Canada Department of Northern Development and Indian Affairs and Statistics Canada.



III reviews the role of the Department of Manpower and Immigration in the administration of manpower policy. In Chapter IV, the major attempts by other government agencies in Manitoba--both federal and provincial--to compensate for the limitations in the programs of the Department of Manpower and Immigration are identified and discussed. Chapter V summarizes the findings in preceeding chapters and assesses their implications. An alternative conceptual model for manpower polices is developed in Chapter VI and the implications of this model for programs and administration are assessed in Chapter VII, the concluding chapter.



## CHAPTER II

### THE CONCEPTUAL BASIS FOR MANPOWER POLICY

The organization of the production and distribution of goods and services in our society is accomplished by a capitalist economic system. This type of economic system is based on a complex structure of inter-related and mutually reinforcing institutions, chief among which are:

"...the labour market in which labour is treated as a commodity and allocated on the basis of the highest bidder; control of the work process by those who own and control capital, including the concomitant loss of control by the worker over his activities during the hours of work; the legal relations of ownership by which income distribution is determined through payments to owners for the use of their productive factors; homo economicus the system of personality traits characteristic of and functional to capitalism, including the system of individual gain incentives; and the ideology which abstracts and organizes "reality" in such a way as to justify and facilitate the operation of the other institutions.<sup>1</sup>

Contemporary economic analysis is based on an explicit acceptance of the validity and therefore an implicit commitment to the perpetuation of these institutions. The task of analysis is simply to explain how individual economic agents--households, firms, etc.--adapt to the given institutional framework. These agents, it is assumed, attempt to maximize "welfare" subject to certain types of constraints. Given the freedom and ability to make rational choices, it follows that the

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<sup>1</sup>Richard C. Edwards, Arthur MacEwan and the Staff of Social Sciences 125, "Radical Approach to Economics: Basis for a New Curriculum" in American Economic Review, May, 1970, pp. 352-363, specifically, p. 353.





decisions made by these agents reflect their real preferences. The combined actions of individual agents produce, it is hoped, aggregate equilibria, or at least, tendencies to establish such equilibria. Problems may and sometimes do emerge because of the appearance of minor imperfections in the way in which the economic system functions. Such problems as do exist are normally conceived to be mere imperfections in the particular market or set of markets in which they are manifested. Remedial action normally involves the intervention of the state to correct or compensate for the particular imperfection or friction suspected of being the source of the problem.

The market of particular interest in the consideration of manpower policy and programs is the labour market. This market is defined for purposes of analysis as the constellation of points of interaction between buyers (employers) and sellers (workers) of labour. Employers are responsible for the organization of production. Their objective is to maximize profits. Given the demand for goods and services maximization of profits requires the employment of labour and other factors of production in a least cost combination. Workers own labour. Their objective is to maximize the return they receive for their labour. They are, therefore, responsive to wage differentials. An agreement to provide labour services is concluded when a worker contracts to provide labour services for a particular employer. The maximizing behaviour of employers and workers within a market environment free from frictions results in the achievement of an optimal allocation of labour; with each unit of labour receiving a wage payment equal to the value of its marginal contribution to production. This marginal contribution--the marginal pro-



duct of labour--will, given consumer preferences,

"... be a function of the amount and kind of physical capital each labourer has to work with, the skill and effort of the worker, and the stock of knowledge and skill with which the human and physical elements are combined. Perfect mobility of labour, equal access to employment and perfect information are the elements that guarantee that workers with equal skill and putting forth equal effort will have the same marginal product and thus earn the same wage. The distribution of labour income in this environment, therefore, is completely determined by the distribution of skills and effort."<sup>2</sup>

Two types of imperfections impair the effective functioning of the labour market: barriers to market adjustment; and market imperfections which break the link between the marginal product of labour and labour income. The first type of imperfection, examples of which are impediments to labour mobility, deficiencies in flows of labour market information, and conditions which result in underinvestment in human capital--primarily imperfections in capital markets--impairs the ability of the market to perform its allocative function. Thus, while workers will still receive wage payments related to their marginal product, workers with equivalent productive capacity will not receive the same wage payment. The second type of imperfection, examples of which are discriminatory actions on the part of certain economic agents and the existence of various types of organizations which have monopoly powers, severs the link between the workers marginal product and his wage payment. Thus, some workers receive wage payments in excess of their marginal product, while others receive wage payments which are less than their marginal product. The appropriate response to both types of

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<sup>2</sup>Harold T. Shapiro, "Poverty - A Bourgeois Economist's View", in L.H. Officer and L.B. Smith eds., Canadian Economic Problems, (Toronto: McGraw-Hill, 1970), p. 233.



imperfections "...is a set of policies designed to allow these markets to approximate, as well as possible, the desirable features of perfectly functioning markets."<sup>3</sup>

The neo-classical labour market is, in its pure form, a static model depicting partial or general equilibriums. It does not, therefore, contain a theory of unemployment. The theoretical developments in the 1930's and since have stimulated attempts to remedy this deficiency. In the revised model, full employment is ensured by the operation of Say's Law subject to the Keynesian proviso that ex ante savings and investment are equal. If ex ante investment is less than savings, inventories will increase and firms will respond to the rising inventories by curtailing output. In the short run, adjustment is achieved through reductions in the labour input, or, more specifically, the discharge of workers. If wages are rigid and labour services are heterogeneous, the discharge of workers proceeds in accordance with the employers ranking of them, which is based on his assessment of the relationship between wage rates and worker productivities. The less preferred workers--those with the lowest productivity in relation to wage rates--are discharged first.

Thus there exists a queue of workers in the national economy which is the aggregate of the queues within individual firms. The length of the unemployed segment of this queue is determined by the extent to which aggregate expenditures fall short of aggregate income.

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<sup>3</sup>Ibid. p. 233.





To reduce the size of the unemployed segment of the queue there must be a stimulus to aggregate demand. Increases in aggregate demand result in the reduction of inventories, thereby, encouraging expansion in the output of individual firms. The expansion in output in individual firms can only be achieved in the short run by increasing labour input. Thus the queue of workers moves forward.

The conceptual basis for a manpower policy in Canada is a neo-classical market characterized by minor barriers to market adjustment. Major barriers to market adjustment such as the host of measures that have been instituted to protect the interests of property owners, for example, tariff protection and special tax concessions, and imperfections which break the link between labour's marginal product and labour income, notably, the dominance of the market system by agents with monopoly power and discrimination by employers, are excluded from the model. It is assumed that total manpower requirements and the structure of these requirements--which depends of course on the level and allocation of expenditures on goods and services--are given. The role of manpower policy within the context of this model is, therefore, to achieve a fit between the given demand for labour, and the supply of labour. Short run measures designed to influence the total stock of available manpower, measures designed to alter the structure of the existing stock of manpower and measures to eliminate frictions in the labour market are the legitimate instruments of manpower policy. These instruments are general and job-specific training, assisted mobility, controlled immigration and the organization of labour market information--which subsumes counselling and placement activities.



Manpower policy, as it is derived from this model, is particularly suited to contribute to the attainment of a full employment rate of economic growth. If the management of aggregate demand through fiscal and monetary policy is consistent with the availability of capital and land, the supply of labour can be augmented by inducing an increase in the effective supply of domestic labour or through the recruitment of workers in other countries. In addition, manpower policy can be used to promote the movement of workers from low productivity occupations, firms, industries, and areas to high productivity occupations, firms, industries and areas, and to reduce the time lag between the appearance of vacant jobs and the manning of them. The reduction in labour market frictions and bottlenecks achieved through manpower policy, simultaneously minimizes unemployment and permits the avoidance of a build-up of inflationary pressures which results when the supply of labour is unresponsive to changes in demand.

It is also claimed that manpower policy can play a role in the stabilization of economy. In the event of short term deviations--seasonal or cyclical--from a full employment rate of growth, unemployed workers may be absorbed into training programs for the purpose of changing or upgrading labour market skills. Skills acquired in such holding actions enhances the prospects for sustained growth when the economy revives.

The role of manpower policy in reducing poverty and improving the welfare of the disadvantaged is largely indirect. It is assumed, in the neo-classical theory, that individuals are poor and disadvantaged because productivity is low. To improve their income and reduce their



labour market disadvantage, therefore, it is necessary to raise their productivity. Training increases their human capital and therefore their earnings potential. Similarly, measures which permit them to move from low productivity to high productivity industries and regions enhances their earnings potential. Moreover, the contribution of manpower policies to stabilization and the maintenance of a full-employment rate of economic growth reduces the length of the unemployed segment of the worker queue. And the poor and the disadvantaged are, it is argued, direct beneficiaries of the shortened queue.

The case for manpower policy is consistent with the model from which it is derived. This model has certain features, however, which cast serious doubts on the ability of manpower policy to satisfy the claims for it, particularly with respect to poverty and the problems of the disadvantaged. First, since the achievement of an optimum allocation of labour is consistent with the existence of both significant disparities in income and inadequate incomes, the model contains an implicit faith in "market justice", and, therefore, a built in tolerance for poverty. Thus, low incomes are simply a manifestation of low productivity. The solution to low productivity is perceived to lie in the alteration of personal or group characteristics of low-income recipients. The role of existing labour market arrangements in the determination of the distribution of income is ignored in this analysis. Second, the exclusion of many of the realities of contemporary labour markets from the model --monopoly elements, discrimination, etc.--negates the possibility of manpower policy achieving even the adjustments to fulfill the conditions of the neo-classical labour market let alone contributing to a reduction





in poverty and an improvement in the welfare of the disadvantaged. Third, the model subsumes the concept of a hierarchy of skills structured in accordance with the principles of a pyramid--a system of "individual gain incentives". The poor and the disadvantaged comprise the base of the pyramid. To achieve improvements in their material welfare they must progress to higher levels in the pyramid. Such progress is, however, contingent on the previous progression of those above them. A manpower policy which contributes to growth and assists in the upward movement of individuals one or more levels removed from the base will, it is suggested, automatically create opportunities for the vertical movement of the poor and the disadvantaged. Such a policy is, therefore, likely to be more effective in the long run than are specific programs for the poor and the disadvantaged. The obvious weakness in this analysis, is, of course, that it neglects to explain how policies which leave the factors responsible for the creation of the pyramid intact, can effect permanent changes in its structure.

Notwithstanding the limitations in the conceptual origins of manpower policy, its potential for contributing, however marginally, to the amelioration of social and economic problems is dependent on the achievement of a full employment rate of economic growth. The full employment objective recommended by the Economic Council for Canada is 3 percent. Since 1954 the unemployment rate in Canada has been below 4 percent on only three occasions; the lowest it has been in this period was 3.4 percent in 1956. In contrast, the unemployment rate has exceeded 5 percent in nine and 6 percent in five of the years in this same period.



It was 6.4 percent in 1971, the last year of the series.<sup>4</sup> Therefore, recent experience--1954-71--suggests that a sustained period of full employment in Canada is most unlikely.

The conclusion that emerges from the foregoing is that there are serious deficiencies in the general and specific models used in the analysis of economic and social problems in Canada. It is unlikely, therefore, that the remedial actions suggested by analysis based on these models will make a significant contribution to the solution of economic and social problems. These statements have particular validity in the case of the simplified neo-classical model of the labour market. The role of manpower policy as it has emerged from this model is that of strengthening a labour market which exists only as an abstraction, and the instruments of this policy depend for their successful application on the existence of a set of conditions that are rarely, if ever, satisfied. The specific features of Canada's manpower policy, in particular, the content and performance of programs administered by the Department of Manpower and Immigration are reviewed in the next chapter.

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<sup>4</sup>The source of the unemployment data is, Canada Department of Finance, Economic Review: A General Review of Recent Economic Developments, (Ottawa: Queens Printer, April, 1972).



### CHAPTER III

#### THE CONTENT OF CANADA'S MANPOWER POLICY

Canada's manpower policy is administered by the Department of Manpower and Immigration. The Department consists of two operational divisions: Immigration and Manpower. The Immigration division is, as its title implies, responsible for "... the recruitment, processing, movement and initial reception of people with the qualities to become useful citizens of Canada."<sup>1</sup> Regulations introduced in October, 1967 committed the division to a policy of regulating the flow of immigrants in a manner consistent with the requirements of the Canadian economy. These regulations prescribed a series of "objective" factors which were to be used in the evaluation of prospective immigrants. This assessment system contains nine items. Six of the items are based directly on economic considerations. The six items are: formal education and training; strength of demand in the occupation in which the individual expects to find employment; occupational skill; age; strength of demand in area of destination; and certainty of employment.

The desired outcome of current immigration policy is that the volume of immigration be inversely related to the level of unemployment; and the skills composition of the immigrant labour force be directly related to the skill requirements of the economy. In a period of economic expansion, immigrants are recruited to fill occupational shortages. The

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<sup>1</sup>Department of Manpower and Immigration, Annual Report, 1969-70, (Ottawa: Queens Printer, 1970,) p. 2.





filling of vacancies in occupations in which there are shortages simultaneously expedites the expansion and reduces pressures on wages and therefore prices. In addition, it is assumed that the filling of such vacancies results in the subsequent creation of employment opportunities in semi-skilled and unskilled jobs for domestic workers. In a period in which there is some slack in the economy the flow of immigrants is reduced and recruitment restricted solely to critical vacancies. Since 1967, the year the "new" policy was implemented, the unemployment rate in Canada has been rising, the flow of immigrants declining.<sup>2</sup>

Since the topic of immigration is somewhat peripheral to the major concern of this paper the discussion of immigration policy will be confined to potential points of conflict between this policy and policies related to poverty and problems of the disadvantaged. It was noted in the previous chapter that domestic manpower policy is most likely to benefit the poor and the disadvantaged when the economy is operating at full capacity and labour market conditions are extremely tight. In these conditions, firms must, if they are to increase real output in the short-run, either bid up wage rates to attract skilled labour or upgrade the

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<sup>2</sup>Canada has always attempted to tailor the volume and composition of immigration to the requirements of the economy. Codification of the factors to be considered in the evaluation of the prospective immigrants simply made this policy explicit. (It has been suggested that the major purpose of the new regulations was to stifle criticism of the discriminatory features of Canadian immigration policy. Ostensibly, the new assessment system was "non-discriminatory"; all persons accumulating the appropriate number of points could qualify for entry).



skills of their existing labour force. The latter response is likely to dominate simply because firms are reluctant to initiate increases in wages. Employees will therefore be elevated to higher-level positions within the firm. As these workers move openings are created in entry-level positions. Training, mobility and placement services could assist those at the bottom of the job ladder or in the unemployed queue to fill these vacancies. Insofar as immigration policy operates to mitigate tight labour market conditions these potential benefits will be nullified.

Another consideration is that reliance on immigration could produce serious distortions in the pattern of investments in human capital. In particular, investment in human capital will be concentrated in occupational fields the requirements in which can not be satisfied by recruitment abroad. In Canada's case, the tendency is to rely on foreign countries to supply specialized manpower and internal sources to supply less specialized manpower. Such a policy must inevitably discriminate against the poor and the disadvantaged.

Finally, it might be noted that the concept of an immigration policy which is completely responsive to the needs of the economy is somewhat deceptive. Adjustments can be made, but frictions and lags are inevitable. Experience in the period 1968-70 is instructive in this respect. Unemployment rates were 4.8, 4.7, and 5.9 percent in 1968, 1969, and 1970 respectively. As expected the number of immigrants destined for the labour force in this period declined: 95,000, 1968; 84,000, 1969; and 78,000 in 1970. The critical consideration is not, however, the number of immigrants destined for the labour force, but rather, the relationship between this group of immigrants and the rate of growth of employment.



Immigrants destined for the labour force comprised 60.1, 34.6 and 78.8 percent of the net increases in employment in 1968, 1969, and 1970. This suggests that frictions and lags in adjustments of immigration policy may aggravate emerging problems.<sup>3</sup>

It is the activities of the Manpower Division (Manpower) which are of primary interest and concern in this thesis. Manpower is responsible for the administration of a host of programs:

... occupational training for adults; manpower mobility; rehabilitation for the handicapped and disadvantaged persons; occupational counselling and testing; manpower consultative services; specialization in manpower needs of industrial sectors; youth services including summer employment; services to employers; programs for special groups such as older workers, released servicemen and Indian and Eskimos.<sup>4</sup>

The major impact of Manpower in Manitoba is through the activities centered in Canada Manpower Centres (CMC). These activities are placement, mobility, and training.

Manpower has established permanent offices and sub-offices in some eleven locations in Manitoba. Permanent CMC's are located in Selkirk, Steinbach, Morden, Portage la Prairie, Brandon, Dauphin, Flin Flon, The Pas, and Winnipeg, Sub-offices in Gillam, Thompson, St. Boniface, North Winnipeg, the universities of Brandon, Winnipeg, and Manitoba

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<sup>3</sup>It has been argued elsewhere that Canada's immigration policy can be justified at least in part on the grounds that persistent shortages of specialized workers results in "...growing inequalities of income...deeper social tensions and divisions in the country as a whole." (See H.D. Woods and Sylvia Ostry, Labour Policy and Labour Economics in Canada, (Toronto: MacMillan of Canada, 1962, p. 298). The implications of the discussion in this paper are just the opposite; reliance on immigration policy to meet requirements for specialized manpower could exacerbate social tensions and divisions.

<sup>4</sup>Canada Department of Manpower and Immigration, Annual Report 1969-70, (Ottawa: Queens Printer, 1970), p. 2.



and Red River Community College in Winnipeg. In addition, itinerant services are operated in certain areas of the province--at the present time, the North and the Inter-Lake Region. The permanent offices and most of the sub-offices are responsible for providing services in a specific geographical area--the CMC "labour market area". The sub-offices located in the three universities and Red River Community College provide services for the individuals enrolled in these institutions.

CMC's in Manitoba are part of a national CMC system. The purpose of this system is to facilitate the matching of workers and jobs and to supplement existing labour market channels. Since utilization of CMC services by both workers and employers is on a voluntary basis the ability of the system and the individual CMC to function effectively in the matching process depends upon their success in encouraging registrations, on the one hand, of workers who are seeking jobs, and, on the other hand, of employers who are recruiting to fill vacancies.<sup>5</sup>

The implications of CMC reliance on voluntary participation must be understood in relation to fluctuations in the level of economic activity. Two manifestations of "slack" labour market conditions are: first, most employers are able to man vacant positions by drawing from the queue at the gate, and consequently are not compelled to register vacancies with a CMC; and second, unemployed workers are unable to locate suitable jobs through traditional labour market channels and are therefore forced to seek the assistance of a CMC as a last resort. The situation that emerges in a

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<sup>5</sup>This paragraph is based on material contained in an internal document circulated through the CMC in 1967, titled, Essentials of CMC Operations.





CMC during periods when there is slack in the economy is, therefore, one in which there is, on the one hand, a large number of qualified workers seeking jobs, and, on the other hand, a small number of vacancies reported by what workers consider to be "poor" employers. The opposite situation emerges during periods when labour market conditions are "tight". Employers find it more and more difficult to recruit suitable workers to fill vacancies, and may be forced, again as a last resort, to seek the assistance of a CMC. Qualified workers are, however, able to find and change jobs with considerable ease and are not, therefore, likely to require the assistance of a CMC. The result is a situation in which there, is on the one hand, a large number of registered vacancies, and, on the other hand, a small number of registrations originating with what employers consider to be "poor" or "residual" workers. The important point that emerges from this abbreviated analysis is that CMC's work with an inventory of marginal jobs when labour market conditions are slack, an inventory of marginal workers when labour market conditions are tight. It follows that CMC's are better able to perform effectively as a placement agency and to exploit ancillary programs when labour market conditions are tight.<sup>6</sup>

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<sup>6</sup>Manpower has attempted to improve labour market planning by encouraging employers to provide advance notice of plant expansions and major lay offs or plant changes that will result in labour displacement to the CMC's. Typically, employers have responded by notifying the CMC's of only those actions that will result in an increase in labour requirements. The explanation for this type of response is of course that plant expansions normally occur when labour market conditions are relatively tight. Enlistment of the assistance of a CMC could therefore reduce the cost to the employer of recruiting a qualified labour force. Lay-offs do not, however, impose costs on the employer. It is the affected workers who bear the burden of the adjustment necessitated by layoffs.



There is no generally acceptable criteria for assessing performance of CMC's with respect to the placement function. A recent study, however, suggests there is considerable scope for improvement.<sup>7</sup> This study is based on the results of two surveys: a survey of job search techniques used by workers--appended to the January, 1969 Statistics Canada Labour Force Survey--and a survey of recruitment methods used by employers in the first six months of 1970--Statistics Canada Job Vacancy Survey. The responses to the former survey reveal that CMC's "...constitute the single most used search technique."<sup>8</sup> Most workers, however, use more than one job search technique. Workers exhibiting the greatest propensity to rely on CMC's are the relatively unskilled and ill-educated. The pay-off from contacting CMC's is less than that associated with checks with local employers, placing and answering advertisements in local newspapers, checks with friends and relatives and checks with trade unions; the success ratios for the specified techniques are: 11, 27, 15, 24, and 17 percent, respectively. The results of the latter survey indicate that approximately 22 percent of all vacancies reported in the job vacancy survey--vacancies for which employers were actively seeking workers--were registered with CMC's. This proportion varies significantly between major occupational groups, ranging from 10 percent for professional, technical

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<sup>7</sup>Preliminary results of the study are published in, Economic Council of Canada, Eighth Annual Review: Design for Decision Making, An Application to Human Resources Policies. Complete results are to be published in Dennis R. Maki, Search Behaviour in Canadian Job Markets, Economic Council of Canada, Special Study No. 15 (Ottawa: Queens Printer, forthcoming).

<sup>8</sup>Economic Council of Canada, Eighth Annual Review: Design for Decision Making, An Application to Human Resources Policies, (Ottawa: Queens Printer, 1971), p. 175.



and managerial vacancies to 36 percent for blue collar vacancies, and industries, ranging from 7 percent in finance, insurance, and real estate to 30 percent in manufacturing. These findings tend to support the conclusion emerging in the analysis of previous paragraphs: the activities of CMC's are confined to the margins of the labour market.

The CMC system is national in scope, availability of resources for expansion is relatively elastic and the service is "free". It would be expected, therefore, that the system would achieve a monopoly position with respect to placement services. This has not happened, however. Attempts have been made to explain the failure of Manpower--and its predecessor the National Employment Service--to achieve a pre-eminent position in the labour market, particularly, with respect to professional, technical, managerial and other key personnel, and casual labour.<sup>9</sup>

The critical factor in the first case--professional, technical, etc.--is the inability of a public placement service to provide the specialized and discriminatory services demanded by employers. In filling key positions the firm is concerned not only with the abilities of the individual to perform the duties demanded in the position but also with the individual's potential compatibility with the philosophy, objectives and organization of the firm. Personal characteristics and attitudes are, therefore, relevant factors in assessing the capabilities

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<sup>9</sup>See for example H.D. Woods and Sylvia Ostry, Labour Policy and Labour Economics in Canada, (Toronto: MacMillan of Canada, 1962, pp. 350-5) and Morris Associates, Man and Manpower Policy. A study prepared for the Canadian Council on Rural Development, 1967, pp. 119-25.





of applicants. Manpower is constrained by the threat of adverse public reaction in its abilities to perform the intensive screening of applicants demanded in these cases. As a result, employers are "obligated" to internalize the recruitment function or to hire the services of private employment agencies.

The explanation in the second case is to be found in the nature of the work performed by the principal employers of casual labour. Firms which experience unpredictable fluctuations in the demand for their product--goods or services--must, if they are to minimize costs, have access to a relatively elastic supply of labour; that is, they must be able to obtain and discharge labour in response to changing requirements. Manpower is unable to satisfy the requirements of these firms both because of competing claims from other firms and because of the internal bottlenecks inherent in large organizations. Manpower could conceivably establish a specialized, and therefore more efficient service for employers of casual labour-- although, again public opinion might exercise a constraining influence. Such employers would, however, still be required to incur the cost of employee documentation necessitated by various pieces of legislation, for example, the Unemployment Insurance Act. Opportunities exist for the profitable operation of firms which organize the supply of casual labour and contract to deliver this labour to firms producing other goods and services. In this way firms which ultimately employ the casual labour in production are assured of an elastic supply of labour and are able to avoid the costs and inconvenience associated with direct hiring.

Thus, the vacancies which are registered with CMC's consist of



vacancies in which the personal characteristics and attitudes of workers are of minimal importance, vacancies for casual labour in firms which are able to predict their requirements with reasonable certainty, and vacancies of firms which are unable to compete effectively in labour markets. The CMC is not, therefore, the best route through which to obtain a job; but it is the only route which the worker can take to avail himself of other types of services offered by Manpower. Qualification for access to other types of services is usually contingent on the workers not having the characteristics required either to fill vacancies registered with the CMC or to work in occupational fields in which vacancies are known to exist in the local market area. Once this has been established, counselling and testing are used to assist in the determination of the service or combination of services which would be of most benefit to the worker. The major services offered by Manpower are mobility assistance and training.

### Mobility

Three types of assistance are available under the mobility program: relocation, exploratory and trainee travel. A worker who is unemployed, underemployed--works less than 30 hours a week for 15 weeks--or has been notified of a permanent layoff is entitled to a relocation grant if there is little prospect for employment in the local labour market area and definite employment is arranged in another labour market area. These grants cover the travel costs of the worker and his dependents, movement of household effects, a graduated re-establishment allowance of up to \$1,000., and a homeowner allowance of up to \$1,500. to cover losses incurred in real estate transactions. Exploratory



grants are provided for unemployed and underemployed workers willing to seek employment in the nearest labour market area in which prospects for improved employment are promising. Trainee travel grants cover the cost of the initial move of individuals who must relocate to participate in occupational training courses. The relocation and exploratory grants are derivative of the major objective of the program which is to facilitate the movement of labour from declining to expanding labour market areas. Trainee travel grants--and since 1970-71, commuting allowances for trainees unable to locate suitable accommodation in close proximity to the training centre--are service features, placed in the program for administrative convenience, although, of course, such grants could ultimately contribute to the permanent relocation of workers.

Essential features of the operation of the mobility program in Manitoba are summarized in Table 1.

TABLE 1

Number of Training Authorizations and Expenditures Under the Manpower Mobility Program in Manitoba, by Type of Grant, 1967-68 - 1970-71

<u>Authorizations</u>	<u>Type of Grant</u>			
	<u>Trainee Travel</u>	<u>Exploratory</u>	<u>Relocation</u>	<u>Total</u>
1967-68	429	121	211	811
1968-69	1,155	165	152	1,472
1969-70	1,635	136	198	1,969
1970-71	2,889	58	123	3,070
<u>Expenditures</u>				
1967-68	24,693	5,715	80,917	111,325
1968-69	24,970	8,730	104,752	138,452
1969-70	51,343	9,004	156,886	217,233
1970-71	133,243 <sup>1</sup>	3,377	119,339	256,959 <sup>1</sup>

1. Includes \$71,013 in commuting allowance payments paid for the first time in 1970-71 to trainees unable to establish temporary residence in close proximity to training centres.

Source: Department of Manpower and Immigration, Annual Report, specified years.



The conspicuous feature of this table is the relatively small numbers of relocation and exploratory grants. The number of relocation grants peaked in the initial year of operation, 1967-68, the number of exploratory grants in the second year, 1968-69. In 1970-71, the final year of the series, the number of grants authorized in these two categories was significantly below the average for the initial three years; the averages are 140 and 187, for exploratory grants and relocation grants, respectively. Moreover, authorizations of relocation and exploratory grants as a percent of total authorizations has declined consistently since 1967-8: 1967-8, 41 percent; 1968-9, 22 percent; 1969-70, 17 percent and 1970-1, 6 percent. The conclusion suggested by these data is that the mobility program has not had significant direct impact on either movement out of the province or movement within the province.<sup>10, 11</sup>

The marginal impact of the manpower mobility program in Manitoba may be consistent with its modest objective: to influence mobility at

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<sup>10</sup>A recent study of programs for the relocation of workers in Canada, the United States and Western Europe arrives at a similar conclusion with respect to Canada: "The number [of workers changing location with assistance from the mobility program] is small relative to the total number of persons moving between regions each year." Martin Schnitzer, Regional Unemployment and the Relocation of Workers: The Experience of Western Europe, Canada, and the United States. (New York: Prager Publishers, 1970), p. 99.

<sup>11</sup>It should be noted that to assess the impact of the mobility program on a particular province it would be necessary to have data which showed the number of individuals coming into the province from other provinces, the number of individuals leaving the province for other provinces, and the number of individuals moving internally. The figures presented in Table 1 understate the impact of the mobility program in Manitoba.





the margin by assisting potential movers who find the direct cost of moving prohibitive. However, other factors, in particular unemployment and the characteristics of potential movers, may also be relevant. Mobility is inversely related to the level of unemployment. The level of unemployment has been rising since 1967. It would be expected, therefore, that mobility and the authorizations of relocation grants would decline. Moreover, the levels of unemployment-- and the unemployment rates -- in traditional recipient areas for migrants from Manitoba -- British Columbia and Alberta-- have exceeded those in Manitoba. These differentials in levels of unemployment and unemployment rates are relevant, however, in but 16 percent of the cases--the percentage of assisted movers crossing regional boundaries.<sup>12</sup> It is unlikely that the overall decline in relocation grants is attributable to inter-regional differences in the levels of unemployment within the province. A more plausible explanation is to be found in the characteristics of the potential movers who would qualify for assistance. It is possible that a disproportionate number of these potential movers require training if they are to be employable in recipient labour markets. Trainee travel grants may therefore be provided to permit participation in training programs, and subsequent relocation to the areas in which training centres are located or other areas achieved autonomously.

Manpower has attempted to evaluate the impact of the mobility

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<sup>12</sup>Economic Council of Canada Eighth Annual Review: Design for Decision Making, An Application To Human Resources Policies, (Ottawa: Queens Printer, 1971), p. 151



program using a sophisticated cost-benefit model.<sup>13</sup> This model yields a cost-benefit ratio of 0.4 after all adjustments have been made. Thus, there is some evidence to suggest that the program does "...contribute to improve economic efficiency."<sup>14</sup> This evaluation model has been criticized -- as has the cost-benefit approach generally -- because of its failure to account for "secondary" or "indirect" benefits and costs. There is a tendency on the part of those who construct and use such models to assume that the excluded benefits exceed the excluded costs so that the ratios inevitably error on the conservative side. The fact that the patterns of assisted mobility conform to the patterns of autonomous mobility -- which are presumably a reflection of free market forces and individual incentives -- provides a rationalization for this bias. However, until such time as the excluded cost and benefits can be quantified, and it has been demonstrated that free market forces and individual incentives produce an outcome which maximizes human welfare -- not economic welfare -- the results of such analyses must be viewed with extreme skepticism.

The detailed results from this model indicate that: first, the proportion of poor among those assisted by the mobility program is "...

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<sup>13</sup>Robert A. Jenness "Manpower Mobility Program", in G.G. Sommers and W.D. Wood eds. Cost Benefit Analysis of Manpower Policies Proceedings of a Conference sponsored by Canada Department of Manpower and Immigration and the United States Department of Labour, (Madison: Wisconsin, 1969).

<sup>14</sup>Economic Council of Canada, Eighth Annual Review: Design for Decision Making, An Application to Human Resource Policies, (Ottawa: Queens Printer, 1971), p. 154



slightly higher than the poverty rate of the population as a whole;"<sup>15</sup> second, the annual earnings of the average assisted mover increase by approximately 12 percent; and third, a disproportionate number of assisted as compared to autonomous movers are unemployed prior to the move.<sup>16</sup> Unfortunately, it is not possible on the basis of published data to determine the impact on the incidence of poverty within the group of assisted movers, the extent of the improvement in real as opposed to money income or the magnitude of the "displacement" effect in the recipient area--the acquisition of jobs by assisted movers which would otherwise be filled by the unemployed in the recipient area. It is probable, however, that the impact on the incidence of poverty is not substantial, the improvement in real income is much less than 12 percent and the displacement effect in the recipient area is high.

Geographical mobility and the manpower mobility program have not been a major source of either interest or concern to the Manitoba government. This is partially a manifestation of the absence of a well-defined provincial policy relating to the location and patterns of movement of the provincial population. It is also a reflection of the simple fact that the mobility program, unlike the training program, does not enter into or directly affect the budget considerations of provincial government departments.

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<sup>15</sup>Canada Department of Manpower and Immigration, Brief to Special Senate Committee on Poverty, (Ottawa: June, 1969) p. 25.

<sup>16</sup>Economic Council of Canada, Eighth Annual Review: Design for Decision Making, An Application to Human Resources Policies, (Ottawa: Queens Printer, 1971), p. 154.





## Training

The scope of manpower's involvement in training is defined in three pieces of legislation: The Vocational Rehabilitation and Disabled Persons Act (VRT); The Adult Occupational Training Act (OTA); and the Training Allowances Act.

The VRT Act was originally introduced in 1961 to provide rehabilitation services for physically and mentally handicapped persons in the population unable to obtain and hold gainful employment. Specific conditions in the legislation state that:

3(1) The Minister may with the approval of the Governor in Council enter into an agreement with any province, for a period not exceeding six years, to provide for the payments by Canada to the province of contributions in respect of the costs incurred by the province in undertaking in the province a comprehensive program for the vocational rehabilitation of disabled persons.

(2) The contributions payable by Canada to a province under an agreement made pursuant to this section shall be 50 per cent of the cost incurred by the province in providing the program referred to in subsection (1).<sup>17</sup>

The range of services available to the disabled under the terms of this agreement is relatively comprehensive including: "...medical, social, and vocational assessments, intensive counselling, restorative services, provision of prostheses, vocational training or upgrading, rehabilitation allowances, work conditioning and provision of tools, books and equipment necessary for employment."<sup>18</sup> It has been stated by Manpower that the

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<sup>17</sup>"Vocational Rehabilitation of Disabled Persons Act," Revised Statutes of Canada, 1970, Vol. VII, Chapter 5-9, H-4, pp. 7699-702.

<sup>18</sup>Canada Department of Manpower and Immigration, Annual Report, 1969-70, (Ottawa: Queens Printer, 1970), p. 6.



primary purpose of this Act is to prevent long term unemployment and poverty: "Persons who are suddenly handicapped as a result of an accident or illness and persons with birth defects who are reaching their labour market entry age can be given occupational therapy and rehabilitation before their unemployability forces them into the ranks of the poor"<sup>19</sup>

An important feature of the act is that the scale and content of the program for the physically and mentally handicapped is determined by provincial governments. In Manitoba, development, implementation and operation of the VRT program is the responsibility of the Vocational Rehabilitation Services Branch of the Department of Health and Social Services (VRS). Federal participation is limited to contributing 50 percent of the costs incurred by the province in the operation of the program.

Available data reveal that the number of persons receiving benefits under VRT both in Canada and in Manitoba in any given year is small in absolute terms. In 1970-71, 5,325 individuals received rehabilitation services in the nine provinces which have programs--Quebec is the exception. The small numbers are in part a reflection of the fact that the relevant population--people whose physical and/or mental handicaps severely impair their ability to find and hold jobs--is small. It should be noted, however, that in 1970-71, approximately 16,000 handicapped persons applied for rehabilitation assistance. This means, of course, that less than one-third of the applicants were accommodated. It is possible, therefore, that the low figures for participants are a result of

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<sup>19</sup>Canada Department of Manpower and Immigration, Brief to the Special Senate Committee on Poverty, (Ottawa, June, 1969), p. 25.



basic deficiencies in the structure and operation of provincial government programs.<sup>20</sup>

Assessment of the impact of VRT in Manitoba is impossible in the absence of data relating to the size, composition and activities of the relevant population. An additional complicating factor is that VRS, the responsible agency, also administers services for culturally and socially handicapped persons under the Canada Assistance Plan and an agreement with the Department of Indian Affairs and Northern Development. Thus, in those cases in which multiple handicaps are present, services may be delivered under one of three programs or a combination of programs. A more detailed discussion of the scope, content and impact of VRS activities is deferred to Chapter IV.

Manpower has its major impact on the activity of the provincial government and the provincial labour force through OTA and the supportive Training Allowances Act. The first mentioned act authorizes Manpower to: (1) absorb 100 percent of the costs of training obtained by Manpower "clients" in privately and publicly-operated training facilities; (2) enter into contractual arrangements with employers to absorb 100 percent of the costs incurred in conducting general skills training in a "classroom" setting within the work place (and specific skills training when technological displacement is threatened); and (3) absorb 100 percent of the cost of providing classroom training for apprentices registered with the Manitoba Department of Labour. The Training Allowances Act provides for the payment of training allowances--related to family conditions and

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<sup>20</sup>These data are from, Canada Department of Manpower and Immigration, Annual Report, 1970-71, (Ottawa: Queens Printer, 1971), p. 11.



living costs--to clients who have been members of the labour force--working or seeking work--for at least three years, or, alternatively, are one year beyond the school leaving age and have dependants. Employers providing training in accordance with contractual arrangements entered into with Manpower are reimbursed for the wages they pay to employees during the training period.

Some indication as to the significance of Manpower's involvement in training activities in Manitoba is provided by the information in Table 2. These figures indicate that Manpower has had a substantial impact on training in Manitoba. In the last year for which reliable figures are available, 1969-70, the allocation of training authorizations between various types of training was as follows: general training in public institutions 39.7 percent; apprentice training in public institutions 12.4 percent; training in private trade schools 1.4 percent; and training in industry 46.5 percent. The impact by Manpower on the activities of the Manitoba government is evident in the fact that while approximately 50 percent of the total training authorizations issued was for training in institutions operated by the provincial government, almost 90 percent of the total direct training expenditures was paid to the provincial government. The remaining 10 percent reflect payments to private trade schools and firms participating in the training-in-industry program. These figures represent the outcomes of a series of allocative decisions made by Manpower.





TABLE 2

Summary Statistics of Manpower Participation in All  
Types of Training in Manitoba  
1967-8 - 1970-1

<u>Year</u>	<u>Number of Training</u> <u>Authorizations</u>	<u>Training Expenditures</u>		
		<u>Allowances</u>	<u>Training</u>	<u>Total</u>
1967-68	11,068 <sup>2.</sup>	2,534,000	N.A.	N.A. <sup>3.</sup>
1968-69	15,918	4,632,080 <sup>4.</sup>	4,267,920	8,700,000
1969-70	12,084	5,195,183	4,024,343	9,220,526
1970-71 <sup>5.</sup>	11,158 <sup>5.</sup>	5,023,075	5,899,747	10,922,822

1. Since a particular individual may participate in two or more phases of training in any one period authorizations should not be interpreted as being synonymous with individuals.
2. Includes 5,089 authorizations issued under the Technical Vocational Training Act (OTA's predecessor) Phase-Out Agreement.
3. The TVT Phase-Out Training payment to the province of Manitoba in 1967-68 was \$4,135,858.
4. Estimate.
5. The figures for 1970-71 include a supplementary program for the unemployed introduced in that year.
6. In 1970-71 the data published in the Annual Report of Manpower specifies "clients enrolled" instead of "clients authorized". The figures are, however, comparable.

Source: (1) Annual Report of Department of Manpower and Immigration for specified years; and (2) Data provided by Manpower at meeting of Deputy Ministers in Ottawa, February, 1971.

There are five types of decisions confronting Manpower in planning its training activities for a particular time period. First, a decision must be made as to the portion of the total budget that will be allocated to training--as opposed to mobility, immigration services, etc. This decision is presumably based on an assessment of the requirements of the economy. Second, manpower must decide how its total training budget will be allocated between the ten provinces. Public statements by officials of Manpower indicate that this allocation is made on the basis of certain rules of thumb rather than a fixed formula. For example, in the annual report for 1969-70 it is stated that Manpower placed "....



greater emphasis on providing training in areas that have traditionally experienced high unemployment." Third, it is necessary for Manpower to determine how the training budget for a particular province will be allocated between the various types of available training. In Manitoba, the array of options confronting Manpower consists of skills training, language training, basic skills development training, and apprentice training. The last three categories of training are provided almost exclusively in institutions operated by the Manitoba government. Skills training may, however, be located in public training facilities, private trade schools, or in industry. The fourth decision confronting Manpower, therefore, is to establish the allocation of training expenditures between public and private training facilities. Once this allocation has been established, Manpower must make a fifth decision, namely, how the funds earmarked for particular types of training facilities are to be distributed between the various courses or levels offered in a particular category of training.

The first four decisions are internal ones. It is only at the fifth level of decision making that the Manitoba government through the Department of Youth and Education (now the Department of Universities and Colleges) becomes directly involved. The relationship between Manpower and Youth and Education is essentially a buyer-seller relationship. Manpower purchases "slots" in Youth and Education training programs for its clients. Transactions for a particular time period are determined through negotiations at the bargaining table. The objective of Manpower in these negotiations is to maximize total training time subject to its budget constraint. The objective of Youth and Education is to maximize the total



value of the training purchased by Manpower. Since the volume of apprenticeship training is predetermined by the number of persons registered as apprentices with the Department of Labour and the volume of language training is based on an estimate of the number of immigrants expected to come to Manitoba from non-English speaking countries, the negotiations centre primarily on the allocation of the remainder of the projected budget between basic skills development and skills training and the allocation within each of these two categories. These negotiations may produce changes at the margin but the final outcome compares closely to the outcome desired by Manpower. (This is one of the few remaining buyer-seller relationships in which the consumer occupies the throne.)<sup>21</sup>

Certain aspects of the relationship between Manpower and Youth and Education require further elaboration. The dependence of the Manitoba government on recoveries from Manpower has introduced serious biases into the course development of Youth and Education. In those areas of training in which Manpower makes purchases--skill courses of less than one years duration and basic skill development courses--the development of new courses is based almost exclusively on meeting Manpower criteria. Those course proposals which are favourably received by Manpower are proceeded with, those course proposals which are rejected by Manpower, shelved. In addition, the commitment to maximize recoveries from Manpower impairs the Department's ability to plan for the orderly development of those types of training that Manpower does not purchase, notably occupational

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<sup>21</sup>The character and objectives of the specific types of training purchased by Manpower, and the extent of Manpower purchases in 1970-71 are summarized in the Appendix.





courses of more than one years duration and courses which have a social or community rather than an occupational orientation. The impact on the behaviour of Youth and Education is not, however, restricted to the course development strategy, but permeates all aspects of training in the province. In general, the pervasive influence of the Manpower philosophy with its stress on the importance of growth and the reverence for the attitudes and knowledge of "business leaders" has contributed to the emergence of a training system emphasizing the needs of industry rather than the needs of individuals and the community at large.

There are certain disadvantages inherent in this relationship for Manpower as well. The commitment to purchase training from Youth and Education--particularly a legal commitment which requires Manpower to pay for in any given year at least 90 percent of the training purchased in the previous year, but also a moral commitment originating in the fact that the massive investments in plants and equipment for training made by the province was encouraged by federal government programs--is the main source of these disadvantages. Specifically, this commitment: (1) reduces Manpower's ability to adjust its training purchases in response to changing economic conditions; (2) places Manpower in the somewhat awkward position of financing programs with conflicting objectives, for example, apprenticeship training and pre-employment courses with an apprenticeship orientation, and programs that aggravate the conditions Manpower policy seeks to correct, for example, the glutting of the market with hairdressers and barbers; and (3) seriously hampers Manpower's ability to affect significant changes in the allocation of its training budget between training offered in various types of facilities, for example, a



shift from institutional-based courses to training in industry. To invoke an old "saw" this would appear to be one of those cases in which "what is bad for the goose is bad for the gander."

The contractual relationship between Manpower and Youth and Education offers important insights into certain of the limitations of the manpower effort in Manitoba. It is in the deficiencies in the legislative basis for the operational content of Manpower's training activities however that the explanation for the entry of other agencies into the manpower field and the subsequent proliferation of programs is to be found. Much of the criticism of Manpower's role in training has been directed at the referral and allowance eligibility criteria. These criteria specify that: first, to qualify for referral to training individuals must be at least 17 years of age; and second, to qualify for a training allowance the individual must have been a member of the labour force for at least three years or have dependants. These criteria produce a serious "gap" in program coverage. First, the referral criteria excludes all individuals under 17 years of age from the possibility of being referred to training by Manpower. Individuals 16 years of age but less than 17 may still enroll in training but they must be able to cover direct and incidental training expenses--tuition, books, etc.--and living expenses. Persons under 16 years of age who are neither employed nor participating in the regular school system--and the number of persons in this category, particularly in certain northern communities, is not insignificant--do not even have this option to exercise, because the required age for entry into courses offered by Youth and Education is 16. Second, certain individuals who qualify for and would benefit from training are not covered by the training allowance eligibility criteria. The individuals who are



excluded from training allowance coverage are in two distinct sub groups: recent entrants into the labour market, and potential secondary earners-- particularly housewives and female heads of households who do not have dependants. Individuals in these groups who are most likely to be prevented from participation in training because they do not qualify for training allowances are, of course, concentrated in the low income segment of the population.

Other major weaknesses in the Manpower training program that have been identified are: first, the maximum period of occupational training that an individual will be referred to is 52 weeks; second, the opportunity to participate in programs is restricted to individuals who queue up at CMC's and are approved by CMC personnel; and third, the training allowance is terminated when the individual completes training, not when the individual finds employment. These weaknesses combined with the weaknesses in the referral and allowance eligibility criteria suggest the conclusion that the programs of Manpower have been designed for established labour force members.<sup>22</sup> Emphasis on the requirements of established labour force members is not unfortunately a characteristic unique to the activities of Manpower. The activities of Youth and Education reflect a similar bias.

The basic principles underlying the training programs of Youth and Education are essentially the same as those on which the public school system is based. That this is the case is evident in certain of the

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<sup>22</sup>The preliminary report of the "renegade" group from the Senate Committee on Poverty makes a similar, albeit more forceful criticism. See The Last Post, Vol. 1, January 21, p. 36.



features of the training system: first, a linear, hierarchial structuring of the various types of training offered; second, standards both for the purpose of defining the boundaries of a particular type of training in the hierarchy and for the purpose of ensuring that individuals who are not likely to function effectively in subsequent levels of the hierarchy do not progress; third, rules and regulations to control the behaviour of individuals while they are participating in the training environment; and fourth, the design of courses to satisfy the requirements of the "school" year. Thus, most types of training have specified entrance requirements, standards which must be satisfied to receive "certification" or "pass", are offered in the period September 1 to June 30 and provide for the expulsion of individuals who do not perform according to the rules and regulations of a particular training centre. In short, the training system is primarily designed to provide services for individuals who have a demonstrated capacity to function within the public school system, the labour force, and society. In this respect, therefore, the activities of Youth and Education and the activities of Manpower are compatible.<sup>23</sup>

Manpower attempts to monitor the performance of its training activities using an elaborate cost-benefit model designed expressly for this purpose. The cost-benefit ratio calculated from this model is approximately 0.4--almost identical to the ratio for the mobility pro-

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<sup>23</sup>The high withdrawal rates in certain types of training and among certain segments of the population -- notably people of Indian ancestry -- support this conclusion. See various reports prepared by the Review and Development Branch of the Department of Youth and Education.





gram. This model is subject to the same criticisms as the model for the mobility program: exclusion of externalities or "third party" effects, in particular the "displacement" effect; benefits are based on a comparison of pre-and post training earnings of trainees rather than a comparison of the earnings they would have received in the absence of training and the earnings they receive with training; and the impossibility of isolating the contribution of training from the contribution of other services provided jointly--counselling, placement, mobility, etc.--and changes in economic conditions. These deficiencies produce a significant upward bias in the estimates of the benefits ipso facto the contribution of training.<sup>24</sup>

The more specific data generated in this survey would indicate that training has not had an appreciable impact on the incidence of poverty. The results of the 1969 follow-up survey of trainees, for example, reveal that roughly 48 percent of the sample had incomes of less than \$3,000 before training as compared with 41 percent after training.<sup>25</sup> These data suggest that training is accessible to some components of the low income population, but that their status is not appreciably affected by participation in such training. Moreover it is probable that the gains which accrue to the participants in training programs are at the expense of workers adversely affected by the displacement effect. Any redistri-

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<sup>24</sup> See: Economic Council of Canada, Eighth Annual Review: Design for Decision Making, An Application to Human Resources Policies, (Ottawa: Queens Printer, 1971), pp. 113-4.

<sup>25</sup> Ibid., p. 116



bution which occurs is therefore horizontal rather than vertical.<sup>26</sup>

To sum up, there is some question as to the benefits associated with the combined training effort of Manpower and Youth and Education. To the extent that such benefits exist, the component of the population which has most need of these benefits is effectively excluded, either from participation as a result of explicit operational criteria, or from benefits as a result of program design.

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<sup>26</sup>The redistribution involved in the direct expenditures on training and the payment of allowances is progressive with a net transfer from income classes above \$6,000 to income classes below \$6,000. It is not possible to determine whether the redistribution effect associated with the fiscal aspects of training is significantly different from the effects of other programs from which trainees would benefit in the absence of OTA. Ibid., p. 118.



## CHAPTER IV

### THE NATURE OF ATTEMPTS TO COMPENSATE FOR DEFICIENCIES IN MANPOWER POLICY: THE MANITOBA EXPERIENCE

The basic weaknesses in the manpower programs administered by Manpower, in particular the training program, surfaced as a direct result of attempts by other government departments, both federal and provincial to cope with the problems of particular sectors of the economy, particular components of the population and/or the problems of people living in a particular region of the province. The major responses of these agencies to the deficiencies in the programs administered by Manpower are identified and discussed in the following subsections.

#### The Department of Regional Economic Expansion and the Manitoba Government

Federal-provincial agreements relating to problems of depressed "rural" areas in Manitoba, have been instrumental in extending the range of manpower activities in the province. In 1967, the federal and provincial governments signed the Fund for Rural Economic Development Agreement (FRED) for the Interlake Region of Manitoba. This agreement provided for the implementation of a comprehensive plan designed to raise the standard of living of the population in the Interlake relative to the standard of living of the population in the rest of Manitoba over a period of ten years. To achieve this objective, the plan included provision for: first, improvement and extension of the social infrastructure; second, rationalization of the primary sector and expansion in the secondary and tertiary sectors of the economy; and third, improvements in the education





and skills of the labour force component of the population. The plan is administered by a federal-provincial body of staff from the Canada Department of Regional Economic Expansion (DREE), and the Manitoba Department of Agriculture (Agriculture).

At the time the Interlake plan was being formulated, it was determined that the programs operated by Manpower and Youth and Education would not meet the needs of a large number of individuals and families in the Interlake population. As a result, it was necessary to include compensatory programs in the plan. The original 10-year budget included a three million dollar commitment for an "innovative" Manpower Corps.<sup>1</sup> The main objective of Manpower Corps is "...to make available to residents in the Interlake, group orientation toward training and employment experiences that will provide increased probability of participants achieving satisfactory training and employment".<sup>2</sup> There is considerable scope for flexibility in the administration of Manpower Corps but the evidence suggests a tendency to rely on an approach combining work experience, counselling, basic education, and group counselling sessions within the context of a discrete project. The specific projects initiated under the auspices of Manpower Corps are normally of short duration and have well-defined objectives.

In some respects Manpower Corps is similar to the "make-work" programs utilized so extensively in the 1930's. First, the projects pro-

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<sup>1</sup>The apparent "success" of the Manpower Corps approach resulted in the budget being raised to \$6,000,000. in 1969.

<sup>2</sup>ARDA-FRED Administration. Interlake FRED Agreement Program Review, 1967-71, (May, 1971), p. 6.



vide short-term earnings opportunities for individuals who are unemployed and do not qualify for entry into or wish to participate in traditional training programs. And, second, the projects normally have a public works orientation--beach development, parks maintenance, construction of community facilities, etc. The major departure is in the emphasis on counselling, motivation, and inculcation of social skills.

The value of the Manpower Corps approach is difficult to assess. Individual projects result in the production of useful goods and services. But this is an incidental result of the program. The main objective is to "orientate" participants to traditional training and/or employment. Crude measures of the success of the program would be the proportion of the group of 758 participants in the period 1967-71, subsequently finding employment and/or enrolling in other training programs. Statistics that would permit an assessment of the Manpower Corps on the basis of these measures are not produced on a regular basis in the data-collection effort of the ARDA-FRED Administration. A recent evaluation of manpower programs in the Interlake, however, indicates that the benefits of Manpower Corps are low in both absolute and relative terms.<sup>3</sup>

This result is not surprising. Participants in Manpower Corps are relatively ill-educated and unskilled when they are enrolled in a project. These characteristics are retained during the average 12-week period. Thus, the options confronting these individuals in the post-participation period are essentially the same as the options which confronted

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<sup>3</sup>John J. Flagler, James A. MacMillan, Leo A. Bernet, Interlake Area Manpower Services Evaluation Study, (Winnipeg, April, 1971), mimeo.



them in the pre-participation period--menial jobs and/or participation in basic skills development training, that is, academic upgrading. The results of the evaluation of Manpower Corps in relation to its primary objective do not provide a sufficient basis for rejecting the approach as a failure, but neither do they encourage optimism that this approach will make a significant contribution to the problems in the Interlake or elsewhere in Manitoba.<sup>4</sup>

The Manpower Corps approach was extended to The Pas Special Area in an agreement concluded between DREE and the Manitoba government in 1970. This agreement provides for a total commitment of \$300,000--shared equally between the two levels of government--to a program in which "... underemployed and unemployed people who do not qualify under existing programs will be encouraged to develop occupational goals through exposure to short-term work situations."<sup>5</sup> One of the distinguishing characteristics of The Pas Manpower Corps is that an effort has been made to direct the short-term work situations--which consists of combined classroom and on-the-job training--to potential employment opportunities in the area. Thus,

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<sup>4</sup>Certain statements in a recent review of the first four years of Manpower Corps suggests that there is a tendency on the part of the ARDA-FRED Administration to view the programs as a short-term "holding" action. In the discussion relating to the impact of the program, for example, it is stated that: "The effectiveness of the Manpower Corps as an agent for placing people in the labour force is contingent upon the availability of employment opportunities... [and] the employment opportunities for persons with minimal skills [that is, the graduates of Manpower Corps] are extremely limited." Interlake FRED Agreement Program Review, 1967-71.

<sup>5</sup>Canada Department of Regional Economic Expansion, Canada/Manitoba Agreement in Special Area of The Pas, (Ottawa: Department of Regional Economic Expansion, 1970), p. 4.



the initial projects were designed to equip people with basic skills required in logging, construction, and other industries. Participants in these projects could not, of course, be guaranteed employment upon completion of their training, but Manpower Corps administrators "hoped" that the training experience would enable them to compete for jobs with established labour force members. In the case of projects conducted jointly with firms in the area, the prospects for immediate employment of participants were brighter but by no means assured. Recent reports issued by Manpower Corps indicate that in the latter cases efforts to place people in jobs have been frustrated by the reluctance of firms to provide projections of manpower requirements, the rigidity of collective agreements and the lack of adequate housing in close proximity to work sites.

The Pas Manpower Corps had not been in operation long enough to permit an assessment of its effectiveness in the North, when the Manitoba government, announced on July 23, 1971, that the "mandate" of The Pas Manpower Corps Directorate was to be extended and augmented. It was anticipated that this expanded mandate would enable Manpower Corps "...to develop coordinated manpower training programs and deal aggressively with employment needs in all of Northern Manitoba".<sup>6</sup> The main objective of the Manpower Corps would be "...to ensure that northerners get access to northern jobs, by bringing [labour force] members and employers together, and by identifying people who require training and counselling before they can take a job and preparing them for available jobs."<sup>7</sup>

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<sup>6</sup>Manitoba Government Information Service, News Service Bulletin, (Winnipeg, July 23, 1971.)

<sup>7</sup>Ibid.





Details as to the mode of operation of this "new" agency were not contained in the news release but it was suggested that the agency would have considerable authority, power and resources at its disposal. A tentative list of its responsibilities included: coordination of manpower programs in all of Northern Manitoba; expansion and development of Manpower Corps type projects where required and relevant; designation of community manpower and employment coordinators whose role it will be to get the potential employee and employer together, and to identify and cause the right kind of training programs to be provided; and issuance and administration of contracts related to employment and manpower requirements.<sup>8</sup>

This initiative in establishing the Northern Manpower Corps was based on a commitment on the part of DREE to enter into an agreement providing for cost sharing on projects undertaken north of the 53rd parallel. This agreement covers the period April 1, 1971 to March 31, 1975. The types of projects and services that will qualify for federal participation

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<sup>8</sup>Certain of the background papers relating to the Northern Manpower Corps suggest the possibility that the Corps would assume responsibility for the activities of the Newstart Corporation. Newstart was originally established by Manpower to operate as a quasi-independent agency with a budget of \$5,000,000 and a five-year life "...to develop, through research and experimentation, methods and programs to help disadvantaged unemployed and underemployed adults prepare for stable and rewarding employment." Department of Manpower and Immigration, Annual Report, 1967-68. (Ottawa: Queens Printer, 1968), p. 39. The Newstart program was transferred to the Department of Regional Economic Expansion after which excessive interference from Senior departmental personnel frustrated the efforts of Newstart to function as intended. Absorption of Newstart in the Corps would mark the final step in the persistent and progressive erosion of the Newstart concept.



under this agreement are:

"(1) the provision of services and facilities which lessen the isolation of remote rural communities; (2) the establishment or improvement of community recreation facilities; (3) the provision of counselling, training, and related services and facilities not provided by other federal-provincial and federal manpower programs, including costs of instruction and living allowances while training, transportation costs and special assistance for persons moving their families and effects for the purpose of seeking employment; (4) development of viable supplementary or alternative primary producing activities for the purpose of improving marginal or sub-marginal incomes of disadvantaged people engaged in such activities; and (5) the establishment, expansion or modernization of any community undertaking engaged in the utilization of primary resources, in processing, in manufacturing or in the provision of services, provided two-thirds of the work force of the enterprise is disadvantaged people and provision is made for counselling, training, and other adjustment services necessary to the employment of these disadvantaged people."9

This agreement forms a "package" which is similar in many respects to the FRED Plan in the Interlake. It (the package) has in it, therefore, some potential to contribute to an improvement in the "welfare" of the disadvantaged. The precise nature of this contribution will depend of course on the precise nature of certain of the as yet unspecified factors: the increment in total expenditures in the region covered by the agreement; the interpretation placed on the nature of the "services and facilities required to lessen isolation", "viable producing activities" and "community activities"; the nature of the innovations introduced in the training programs; and the extent to which economic development is accompanied by permanent and substantial changes in the existing institutional framework. In connection with the last mentioned point perhaps the most encouraging feature of this "bold thrust" in the North was not the new agreement nor

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<sup>9</sup>Draft of planned agreement between the Government of Canada (DREE) and the Government of Manitoba.



the expanded Manpower Corps but rather the apparent commitment on the part of the Manitoba government to intervene in the hiring decisions of firms operating in this region of the province.

In the short period of time in which the new agreement has applied, and the new aggressive Northern Manpower Corps has been in operation, the results have been disappointing. Indian and Metis organizations and communities--the disadvantaged peoples of the North--have found it extremely difficult to get approval from DREE for projects which are designed to improve their communities and/or produce goods and services; there have been no important innovations in training programs; and no attempt has been made to alter the existing institutional framework. The new Manpower Corps which was to be innovative and aggressive has behaved in exactly the same way as the Manpower Corps in the Interlake; that is, confining its activities to the periphery of the northern economy. The one "innovation" that has been made is the creation of an employment agency which is to be operated by and for the Indian and Metis people in the North. This agency will presumably maintain an inventory of jobs which are available in northern communities and an inventory of Indian and Metis workers who are willing and able to work, and attempt to achieve a matching. It is hoped that the employers in the north will cooperate. This new agency will also contract to supply labour on major construction projects and other types of projects which require large quantities of casual and unskilled labour.

The early results of the federal-provincial agreement for the north, the performance of the Northern Manpower Corps and the absence of substantial innovations indicate that conditions in the north will not change significantly in the near future.





Federal-Provincial Agreements and the Role of VRS

VRS is responsible for the delivery of services to persons in Manitoba who are handicapped in obtaining employment because of physical, mental, social or cultural factors. Provision of these services is supported by the federal government through the VRT Act, in the case of the mentally and physically handicapped, and through the Canada Assistance Plan and an agreement with Indian Affairs, in the case of the socially and culturally handicapped.

The VRT agreement commits the federal government to a 50 percent contribution to the cost of a provincial government operated program. The scale and content of such a program is determined by the provincial government. Similarly, Part III of the Canada Assistance Plan provides for a 50 percent federal contribution to projects which are designed to enhance the economic independence of individuals, families, groups, and communities exhibiting tendencies to "welfare". The agreement with Indian Affairs is a specific contractual arrangement which commits VRS to "...provide and perform on behalf of clients training, referral, placement counselling, and administrative services."<sup>10</sup> Costs incurred in the provision of such services are fully recoverable from Indians Affairs. The value of this contract in the last complete fiscal year for which data are available, 1970-71, was approximately \$325,000.

In general it might be said that VRS performs roughly the same goals in relation to "handicapped" members of the labour force as Manpower

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<sup>10</sup>Canada-Manitoba Memorandum of Agreement Respecting Employment Placement Services for Indians, 1970. The "clients" are the persons in the population who are registered as, or entitled to be registered as "Indians".



plays in relation to established labour force members; a general employment service providing counselling, referral to training, provision of training allowances, placement, etc. The 31 VRS staff counsellors produced services for approximately 6,000 - 6,500 persons in the 12-month period ending March 31, 1971. Estimates prepared by VRS indicate that the individuals receiving services were allocated across the three distinct client categories as follows: Indians Affairs clients, 2665 (41.8 percent); "other" socially and/or culturally handicapped, 2,515 (34 percent); and physically and mentally handicapped, 1,195 (19 percent).

It is impossible to attempt even a general assessment of the impact of VRS on the basis of the information available.<sup>11</sup> The figures do suggest, however, that the impact of VRS activities in relation to the number of individuals who fit the operational definition of "socially and culturally handicapped", that is, persons who are operating at less than their potential capacity as a result of a combination of environmental, cultural and/or economic factors, is small. Officials of VRS would be inclined both to agree with this conclusion and to concur with the suggestion that this state of affairs is attributable to two factors. The two factors are: first, severe limitations in resources; and second, the lack of any correspondence between the needs of the individuals in their client groups

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<sup>11</sup>There is virtually a complete absence of information pertaining to VRS activities. To attempt a reasoned assessment of these activities it would be necessary to have data on the nature, quality and outcome of the services provided, and the size and characteristics of the various components of the population for whom the services are intended.



and the various programs and available jobs to which they could be referred. The second factor is much more critical than the first. Individuals either do not qualify for the available training, or, if they do, they are unable to function effectively within the environment of provincially operated training centres, and therefore, leave. In the case of jobs, the only ones which are accessible to their clients are of short duration and normally low paying. The result of this is that VRS personnel have become reluctant to encourage individuals to participate in programs and take jobs that will not produce lasting benefits for them. Lacking authority to influence the nature and content of existing manpower programs and hiring decisions, VRS has been forced to establish new service options which it believes are more clearly related to the needs of the individuals in the groups it serves.

An agreement to proceed with the first work activity project in Manitoba was concluded between the federal and provincial governments in September, 1971. These projects "...use a combination of sheltered work situations, other forms of training and welfare services to provide a comprehensive approach to sound rehabilitation."<sup>12</sup> The objective is to "improve the employability of persons who have unusual difficulty finding or holding a job, or in undertaking training."<sup>13</sup> The initial project in

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<sup>12</sup>Canada Department of Health and Welfare, Documentation on Work Activity Projects, (Ottawa: 1971). This paper provides an outline to be followed in preparing project proposals for submission to Ottawa. Federal participation in the costs of work activity projects under Part III of the Canada Assistance Plan is restricted to "approved" projects.

<sup>13</sup>Ibid.



Manitoba was initiated in the predominantly "Metis" communities of Pelican Rapids, Mallard, Duck Bay, Crane River, and Camperville. Individuals participating in this project, would, it was hoped be provided with: (1) basic work habits and skills; (2) academic skills to enhance employability or to qualify for vocational or pre-vocational courses offered through Manpower or Youth and Education; and (3) development of sound skills necessary to functioning on or off the job.<sup>14</sup> Participant selection criteria conform with the objectives of the Canada Assistance Plan and include: sporadic unsatisfactory work history; low literacy level; lack of social skills necessary for permanent employment; mobility limited by size of family; lack of vocational skills; inability to qualify for existing training or employment opportunities; physical and mental capabilities adequate for full time training and work routine; and expressed interest in training and employment.<sup>15</sup> Criteria for termination are: (1) participant's

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<sup>14</sup>Manitoba Associated Northern Work Activity Project Proposal, (Winnipeg: Manitoba Government, 1971), p. 5.

<sup>15</sup>Ibid., p. 8. The first five criteria seem to be consistent with project objectives. There is, however, something of a contradiction between the last three criteria and these objectives. The justification for the project is that existing programs have not been sufficiently comprehensive to deal with the complex social and economic problems faced by the heads of households and families living in the designated communities. The fact that eligibility for existing programs is a criteria for exclusion implies that the only people who have complex social and economic problems are those who are not eligible for participation in Manpower programs. Exclusion of individuals who do not have physical and mental capabilities adequate for full-time training and work activity detracts somewhat from the claim that the project is "comprehensive". Since the objective of the project is the out-migration of participants, it is to be expected that the individuals who are excluded will form a residual population which will have to be "dealt" with when the project terminates. Those individuals who do not express an interest in training and employment will presumably join the physically and mentally "deficient".





readiness to avail of opportunities from employment and/or training outside the Project as determined by the Project staff and participant; (2) "lack of interest"; and (3) demonstrated inability to benefit from the Project.<sup>16</sup> Over the anticipated life-span of the project-- September, 1971 to October, 1974-- approximately 350 participants are expected. Total cost in the initial 12 months will be \$686,520. of which approximately 20-25 percent will be wages, salaries and miscellaneous expenses of project staff.

In many respects this project resembles Manpower Corps. In particular, the project is based on the naive assumption that with enough counselling--24 hours a day 7 days a week--exposure to classroom instructors, participation in on-the-job training, etc. the participants will be ready to move, participate in traditional training programs, and/or obtain jobs. The major differences are in the duration of training, the project allowance schedule, which is based in part on participation and performance, the nature of the training provided, and the degree of participation of local community leadership in planning project activities. It is to be anticipated that these differences are not sufficient to produce outcomes substantially different from those achieved in Manpower Corps.

To conclude this section, it might be noted that the activities and the frustrations of VRS are a microcosm of the entire manpower effort in the province of Manitoba. The basic difference is in the nature of the group with which VRS works. The largest part of this group consists of individuals who are unable to function effectively in society because

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<sup>16</sup>Ibid., p. 10.



of the nature of the existing socio-economic framework. The thrust of the VRS approach is not, however, directed at those features of the system that are responsible for the plight of these individuals. On the contrary, the emphasis is on altering those characteristics of the individuals that do not conform to the requirements of the system. Thus clients are assigned a position in an "Employment Readiness Classification" on the basis of their motivation, self-assurance, demonstrated ability to function on and off the job, and physical and mental readiness for confronting the rigors of competition in a chosen occupation.<sup>17</sup> Individuals whose characteristics are fixed, for example, severe physical or mental handicaps, and therefore not subject to modification, must be found a "safe" place outside of the system.

The Canada Department of Indian Affairs (and Northern Development)

The Indian Affairs Branch of the Department of Indian Affairs and Northern Development is responsible for the "welfare" of individuals who satisfy the criteria defining an "Indian"; "...a person who, pursuant to the Indian Act, is registered as an Indian, or is entitled to be registered as an Indian."<sup>18</sup> Approximately 35,000 individuals in Manitoba satisfy these requirements.<sup>19</sup> In general the Indian population is ill-educated, lacks marketable skills, lives in communities with limited economic po-

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<sup>17</sup>Paper titled "Manitoba Department of Health and Social Development: Social Development Division, Vocational Rehabilitation Services". Winnipeg, 1971.

<sup>18</sup>Canada-Manitoba Memorandum of Agreement Respecting Employment Placement Services of Indians, 1970.

<sup>19</sup>Data published by the Department of Indian Affairs placed the official "head-count" in 1969 at 34,520.



tential and gross deficiencies in basic amenities, and is heavily dependent on subsistence payments from government. This tragic state of affairs is attributable to a long series of historical accidents combined with misguided governmental policies which have effectively locked the Indian population out of the "mainstream" of society.

The role of Indian Affairs is to develop policies and programs which will nullify the accumulated effects of historical accidents and policy errors, and prepare the Indian to become a participant in the "mainstream". To date Indian Affairs has tended to rely on two basic approaches in attempting to achieve its objectives: first, policies and programs designed to upgrade the economic and social structure of reserve communities; and second, policies and programs designed to prepare people to leave reserve communities. The potential contradiction inherent in these two approaches has never been satisfactorily resolved with the result that the overall Indian Affairs strategy has lacked coherence and consistency. Recently, however, emphasis has been placed on the second approach, and, in particular, the standard techniques of manpower policy--counselling, basic education, training mobility, and job placement.

The total budget available for manpower programs has increased substantially since 1967-68. Total budget figures for the period 1967-68 to 1970-71 were as follows: 1967-68, \$321,374; 1968-69, \$780,839; 1969-70, \$788,823; and 1970-71, \$1,331,000.. In the last two years of the series, approximately 25 percent of the total budget was committed to the payment for services provided by VRS under the terms of special contractual arrangements. There is some evidence to suggest that Indian Affairs has concentrated its efforts on providing traditional services to those individuals not covered by Manpower. Thus, individuals are placed in the basic ed-





ucation and vocational training programs operated by Youth and Education, receive mobility assistance and are referred to employers with known vacancies. The 1970-71 budget allocation was as follows: adult education, 37 percent; vocational and special training, 49 percent; and employment and relocation, 14 percent. The combined efforts of Indian Affairs and VRS in 1969-70 resulted in some 2,500 individuals receiving services--between 15 and 20 percent of the total Indian population over 15 years of age. Approximately 40 percent of the services consisted of placement in training programs operated by Youth and Education; 47 percent job referrals and relocation assistance; the remaining 3 percent placement in universities and secondary school programs.<sup>20</sup>

The impact of Indian Affairs activities on the overall objectives--upgrading the "quality of life" in reserve communities and establishing points of entry into the "mainstream" society--is difficult to ascertain with any degree of confidence. Statistics relating to retention rates in Youth and Education training programs and the characteristics of the job placements suggest, however, that the impact is minimal. The retention rates in most types of programs in 1969-70 was less than 80 percent and a large proportion of the jobs in which individuals were placed were of short duration. Similarly, detailed analyses of the experiences of Indian students enrolled in courses offered in Keewatin Community Colleges in The Pas and Fort Osborne Barracks Upgrading Centre in Winnipeg indicate that withdrawal rates are high, progression rates within the skills development

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<sup>20</sup>Canada Department of Indian Affairs and Northern Development, Statistical Summary: Manitoba Manpower Programs, Winnipeg, 1970.



program, which consists of four levels--Levels IV, III, II, I--and between skills development and vocational training low, both in absolute terms and relative to the rates for other groups of students.<sup>21</sup> The conclusions suggested by the limited information available is the programs and opportunities developed for established members of the labour force in the "mainstream society" are unlikely to meet the requirements of people who have never been participants in that "mainstream".

#### Manpower Activities of Other Manitoba Government Departments

The involvement of other Manitoba government departments is not extensive and occurs primarily in the process of discharging their traditional responsibilities. This involvement is briefly summarized in this section. The concluding section describes a series of recent program innovations originating with staff agencies of the provincial government.

The Department of Industry and Commerce has traditionally functioned as an "arm of industry". Consequently involvement in the manpower field has been restricted to those areas of particular interest to individual firms or groups of firms. Normally, the department attempts to satisfy the specified requirements of these firms by applying pressure to those departments with manpower responsibilities--usually Youth and Education--to introduce the desired training programs, provide mobility assistance, etc. The direct activities of the Department consists of provision of assistance to firms recruiting immigrant labour--usually during

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<sup>21</sup>Review and Development Branch, Manitoba Department of Youth and Education, Review and Assessment of Problems Experienced by Students in Vocational Preparation Training Courses in The Pas and in Winnipeg, Winnipeg, 1971.



periods of tight labour market conditions and usually for the garment industry and other employers of unskilled labour--the provision of technical advice to firms seeking to increase the productivity of their labour forces and the operation of a training-in-industry program intended to compensate for the incomplete coverage of the Manpower training-in-industry program. The Industry and Commerce training-in-industry program pays employers for the wage payments made to individuals who do not meet the Manpower allowance eligibility criteria. This program has not been used extensively simply because persons who do not qualify for training allowances are not recruited for training-in-industry programs supported by Manpower.

Involvement of the Department of Mines, Resources and Environmental Management in the manpower field has occurred in response to the emergence of particular problems and/or opportunities in resource-based industries. This involvement has taken two forms. In the case of the fishing and trapping industries, changing economic conditions have necessitated the introduction of programs designed to reduce the size and improve the productivity of the labour force attached to these industries. The objective of involvement in these industries is, in short, to expedite their rationalization. The second form of involvement is exemplified in the effort to establish a self-sustaining logging co-operative in the community of Moose Lake in 1969. This project was initiated in response to an anticipated increase in the demand for logs with the opening of the Churchill Forest Industries Plant in The Pas area. After approximately two years of operation the project was suspended--apparently because it did not achieve the output levels required to make it self sustaining. A Newstart evaluation of the project concluded that it had made a positive contribution to the Moose Lake community and suggested that if values were





imputed to the externalities associated with the project, payment of subsidies to maintain the operation would be justified. Further evaluation apparently confirmed the Newstart findings with the result that the project has since resumed operations.

The department having the major impact on manpower programs in Manitoba apart from the Department of Youth and Education is the Department of Labour. This department is of particular interest because of the way in which its activities influence the character of the labour market. The major responsibilities of the department are: (1) establishment of labour standards relating to wages, employment, safety, etc.; (2) control of the environment within which industrial relations are conducted; and (3) administration of the provincial apprenticeship program. All of these activities, with the exception of the apprenticeship program, are considered to be outside the boundaries of manpower policy. Thus decisions relating to these responsibilities are seldom if ever based on an assessment of their potential impact on the labour market.<sup>22</sup>

Many of the anomalies in the manpower effort in Manitoba are reflected in the apprenticeship program. The apprenticeship program in Manitoba is "...designed to facilitate the training of persons to the levels of skilled tradesmen..."<sup>23</sup> in those trades designated under the Act. The

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<sup>22</sup>There are some indications that the basic objective of this Department in the administration of its responsibilities is the avoidance of decisions which would disturb groups having a vested interest in perpetuating situations as they exist. As a result, changes that are made, normally confirm rather than alter the status quo.

<sup>23</sup>Manitoba Department of Labour, Annual Report, 1967, (Winnipeg: Queens Printer, 1967), p. 46.





prescribed training for apprentices consists of publicly financed institutional instruction and on-the-job-training experience in plant or shop. The period of apprenticeship varies from three to five years with most trades specifying four years. Similarly, the prescribed period of institutional based training ranges from 12 weeks to 34 weeks with most trades prescribing 18-24 weeks. Entrance into designated trades is regulated by manipulation of the apprentice-journeyman ratio. This ratio specifies the number of apprentices an employer may have. According to the regulations this ratio has two main purposes: "...to ensure that apprentices will receive proper supervision and training on the job and to provide an adequate number of journeyman to meet future requirements."<sup>24</sup> These ratios are established by trade advisory committees, or defined in collective agreements. The maximum ratio in all cases is one apprentice to one journeyman. Participation in an apprenticeship program is not the only route that an individual may take to achieve journeyman certification in a designated trade. The Tradesmans Qualification Act, which is also administered by the Department of Labour "...provides for the certification of persons who have had considerable experience in a designated trade but have not gone through the apprenticeship program".<sup>25</sup> In the 12-month period ending October 31, 1970, 95 individuals distributed across seven trades received journeyman certification under this act. The number of apprentices achieving journeyman status in these given trades in the same

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<sup>24</sup>Manitoba Department of Labour, Apprenticeship Training: Guidance Information, (Winnipeg, 1967), p. 4.

<sup>25</sup>Manitoba Department of Labour, Annual Report, 1970, (Winnipeg: Queens Printer, 1970), p. 44.



12-month period was 166.<sup>26</sup>

The anomalies which exist in the relationship between apprenticeship training and manpower programs may be briefly noted. First, a large number of the skills training courses of less than one years duration to which Manpower refers unemployed and underemployed individuals were previously introduced as pre-apprenticeship courses. As such they were designed to prepare individuals for entry into apprenticeship. The anomaly here is that the skills training programs in which Manpower participates are presumably intended to prepare unemployed and underemployed individuals for jobs in expanding occupational fields whereas the apprenticeship program is designed to control the entry of people into skilled trades, or in other words, to restrict the supply of labour. It is not surprising, therefore, that most of the individuals who participate in courses of less than one years duration with an apprenticeship orientation end up working in another occupational field; that is, an occupational field other than the trades to which the courses are related. A second anomaly, is the difference in the educational prerequisites for apprenticeship programs and the courses offered by the Department of Youth and Education. Most designated trades specify an educational pre-requisite of Grade 9. To qualify for entry into courses with an apprenticeship orientation offered by the Department of Youth and Education, however, individuals must have grade 10 or its equivalent. There is some evidence to suggest that in recent years, employers of apprentices have concentrated their recruitment on the "graduates" of courses offered by the Department of Youth and Education, thereby

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<sup>26</sup>Ibid., various pages.



reducing their hiring of persons off the street. In effect, this means that the educational pre-requisite of the apprenticeship program has been raised to Grade 10. As a result, individuals having less than Grade 10 education must participate in upgrading training and a vocational course in one of the centres of the Department of Youth and Education in order to qualify for entry into apprenticeship. This anomaly, of course, works to the direct disadvantage of individuals from low income groups and disadvantaged components of the population who normally have a lower level of educational achievement. Third, Manpower pays the full cost of institutional training of apprentices, including payment of allowances to those apprentices who satisfy the training allowance eligibility criteria. Apprentices who do not satisfy the allowance eligibility criteria do not receive a payment from Manpower and do not normally receive compensation from their employers. This perversity has motivated employers of apprentices to restrict recruitment to those individuals qualifying for Manpower training allowances. The last mentioned anomaly was corrected with an amendment to the relevant act in the legislative session ending July 20, 1972 which provides for the payment of training allowances to those apprentices who do not qualify for Manpower training allowances.

"Ad hoc" Manpower Activities of the Manitoba Government

The group of activities discussed in this section is classified as "ad hoc" for two reasons: first, project proposals are conceived and formulated by staff as opposed to line agencies--the departments; and second, proposals tend to be classified as experimental, and therefore, non-permanent. A characteristic which distinguishes these activities is that in contrast to most other programs they are based on the premise that





access to the "mainstream" society for certain groups is contingent on the introduction of changes in the institutional framework. The three most important projects to date are: the Lynn Lake Commuter-Work Project; the Careers Path for the Disadvantaged Project; and the Disadvantaged Mature Student Project.

The purpose of the commuter work project is to link the unemployed in the labour forces in the communities of Garden Hill and St. Theresa to job opportunities in Lynn Lake, a mining community. An important feature of this project is a flexible work schedule which provides participants with alternating periods of work in Lynn Lake and leisure time in their home communities. At the present time, the pattern is 19 days on/9 days off for a base work force of 16 individuals in four crews. In the short run, the program provides job opportunities that do not require permanent relocation or extended periods of separation from family and community. In the longer run, it is anticipated that some of the participants will make the transition to stable work patterns and "urban" living. The criteria that will be used as a basis for the evaluation of this project are not clear. Conceivably there are three possible outcomes. Participants could: (1) develop stable labour force patterns based on the flexible work/leisure schedule, and commuting between their home communities and Lynn Lake; (2) make a permanent transition to the labour force and community in Lynn Lake; and (3) some combination of one and two. All three outcomes appear to be consistent with the achievement of enhanced employment and income prospects for the residents of the two communities. It would, therefore, be unrealistic to assess the merits of the projects in terms of a single outcome, a possibility which is implicit in the stated long-term



objective of the project. The other aspect of this project that is not yet clear is the extent to which it will be expanded and replicated given favourable results in the trial period. Introduction of similar projects at Leaf Rapids and a Manitoba Hydro project in the Norway House-Cross Lake area in the latter part of 1971 suggests the existence of a tentative commitment to expand the use of this approach in the North. These two projects differ from the mining operation at Lynn Lake, however, in that they are of relatively short duration and the immediate objective is simply to match work opportunities and unemployed workers.

The Career Paths for the Disadvantaged Project was initiated in the latter part of 1971. This project is based on the premise that the extended periods of unemployment experienced by potential project participants are a result of artificial barriers--particularly hiring specifications related to education and training--that deny them entry into existing jobs. A major objective of the project is to demonstrate, using the government service as a medium that hiring specifications can be relaxed and career paths modified to accomodate individuals who lack entry qualifications. It is difficult to predict at this time what the response will be if the project achieves its objective. Logically what should happen is that the government would introduce legislation either to alter hiring standards or to require the employment of people who do not satisfy existing hiring standards. The outcome would be the same in either case--the employment of people currently denied access to jobs. If the performance of participants fails to satisfy project expectations, then, assuming there are no deficiencies in the design of the project, the conclusion could be that hiring and progression standards are valid, at least in the government service and the problem is with the characteristics of the individuals.



This will shift the attention of manpower planners back to the design of more elaborate training and educational programs which are designed to alter these characteristics. If it turns out that the performance of participants falls short of expectations because of factors that were not taken into account in the original design of the project, it is probable that new "pilot" projects will be introduced.<sup>27</sup>

The third project of note is based at Brandon University. This project is designed to demonstrate that individuals from disadvantaged groups lacking university entrance qualifications can, given the necessary support services, obtain a "baccalaureate" education. In other words, the objective is to demonstrate how barriers to participation in "higher" education can be overcome. This project was introduced in the academic year 1970-71. It was originally scheduled to run for two years. The government decided to extend the project for a third year when results in the initial year of the project proved favourable. Again, it is difficult to predict what the response of the government will be if the results at the end of the third year indicate that the project has been successful. Presumably sweeping reforms in post-secondary education should be introduced. On the other hand, the project might not succeed. If this is the case, additional "pilot" projects could follow or alternatively it might be concluded that barriers to post-secondary education perform a legitimate function.

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<sup>27</sup>The Department of Industry and Commerce attempted to initiate a similar project involving firms in the private sector--firms with a "social conscience"--but was unable to obtain cabinet approval.



To sum up, there are a number of projects that have been initiated during the past 24 months that are extremely innovative in their character and objectives. The major weakness in these projects is that they have been developed in a policy vacuum. Thus, while these projects could have radical implications, it is improbable that the response to them will be such as to have a profound and lasting impact on conditions in Manitoba. Indeed, the complete absence of coherent objectives in the social development field generally, and the manpower field specifically in Manitoba suggest the discouraging possibility that these projects simply represent a delaying action, initiated for the purpose of enhancing the "liberal" image of the government rather than for the purpose of identifying techniques to achieve significant reforms. This concludes the discussion of efforts in Manitoba to compensate for the deficiencies in and extend the policies and programs of Manpower. The next chapter establishes a general perspective on the manpower effort in Manitoba and assesses its implications, emphasizing in particular its potential role with respect to the problems of poverty and "disadvantaged" groups.





## CHAPTER V

### THE MANPOWER EFFORT IN MANITOBA: A RECAPITULATION AND ASSESSMENT OF IMPLICATIONS

The purpose of this chapter is to establish the potential contribution of the combined federal-provincial manpower effort in Manitoba to the achievement of provincial government goals. To clarify the discussion the chapter is divided into three sections. The first section contains a brief summary of the material presented in preceding chapters; the second section, a delineation of the goals which have been established by the Manitoba government; and the third section, an assessment of the potential contribution of the manpower effort to the achievement of these goals.

#### The Manpower Effort: A Recapitulation

The conceptual framework on which manpower is based is a neo-classical model of the labour market admitting of minor imperfections. Within the context of this model policy intervention is justified to correct qualitative and quantitative imbalances that may emerge on the supply side and to eliminate frictions that threaten to frustrate the achievement of an optimum allocation of labour. Training, programs to increase the mobility of labour, techniques to improve the organization and the dissemination of labour market information, and, in an open economy, a selective immigration policy, are the recommended tools of intervention. The position of manpower policy in the policy spectrum may be described as being bounded on the horizontal axis by policies that



determine the level and composition of total expenditures and policies designed to influence the characteristics of the general population, for example, education; and bounded on the vertical axis by policies which set basic rules to govern the behaviour of economic agents participating in the labour market, for example, labour standards and industrial relations legislation, and policies which have been introduced to compensate for the more serious manifestations of "market justice", for example, income-maintenance programs.<sup>1</sup>

There are two distinct components in the existing manpower effort. The first component is based almost exclusively on the model described in the previous paragraph and is formulated and administered by Manpower. Policy objectives are defined in terms of economic "efficiency" and the instruments of policy are designed to contribute to the achievement of these objectives:

One major emphasis of Canada's manpower policy is on facilitating the process of economic growth through the development of Canada's manpower resources to meet the changing needs of the economy. A second emphasis of policy is directed toward increasing efficiency in the use of manpower resources by ensuring the labour market functions as effectively as possible.<sup>2</sup>

The logical outcome of policies and programs emphasizing "efficiency" considerations is the emergence of a system the modus operandi of which is the adaption of people to fill actual or potential jobs through

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<sup>1</sup>This simplified schema is intended to establish a general perspective on the relationship of manpower policy to other policies which either impinge on or are a result of labour market processes. It will be recognized that the specific policies identified in this schema are not mutually exclusive either in objective or in impact.

<sup>2</sup>Organization for Economic Co-operation and Development. Manpower Policy and Programs in Canada, (Paris, OECD, 1966), p. 53.



training, mobility, placement, etc. If this system is to function efficiently and effectively, it follows that it must be designed to accomodate those individuals who are most likely to respond favourably to or benefit from the types of services offered in individual programs. This first component of the manpower effort is, therefore, one which provides services for those individuals in the population who have exhibited stable labour force behaviour.<sup>3</sup>

The second component of the manpower effort is comprised of a fragmented series of attempts to extend the services available to established labour force members to those individuals in the population with a demonstrated incapacity to function effectively in the labour market. A traditional feature of Canada's manpower policy is the inclusion of a compensatory program to provide services for mentally and physically handicapped persons in the population. The remaining initiatives in this respect have originated with agencies of the federal government responsible for regional development, income maintenance programs and the welfare of minority groups. Thus, DREE introduced a compensatory training program - Manpower Corps - first in the Interlake Region of Manitoba, and more re-

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<sup>3</sup>The "creaming off" inherent in this approach is encouraged by the federal government agency responsible for assessing the impact of government expenditures and determining the inter-departmental allocation of resources - the Treasury Board. In recent years, to be more precise, since 1968 when the Trudeau government assumed office - the Treasury Board has demanded a more careful accounting of departmental expenditures and advised departments that additional resources would be forthcoming only if it could be demonstrated that the incremental benefits would exceed the incremental costs. Since the pecuniary benefits and other rewards of senior departmental personnel are partially a function of the size and rate of growth in departmental budget and employment, program administrators are encouraged to avoid risk taking and concentrate expenditures in those areas which will yield a net benefit, or, alternatively, to manipulate their operational statistics to create the impression of an excess of benefits over costs.





cently in the area north of the 53rd parallel; Indian Affairs extended provision of manpower services to those members of the population which it serves who are excluded from Manpower coverage; and Part III of the Canada Assistance Plan encourages the introduction of programs for "socially" and "culturally" handicapped members of the labour force who do not qualify for participation in Manpower programs. There is little evidence to warrant the conclusion that the activities of Manpower and the government agencies and departments-- both federal and provincial-- participating in the manpower field comprise a single coherent manpower effort. Indeed, available evidence suggests the opposite conclusion.

There are two manpower efforts in Manitoba, the one providing services for established labour force members, the other providing services for individuals in the population trapped on the fringes of the labour market. In short, the manpower effort in Manitoba is a dual system which provides services to two distinct components of the population. The existence of a dual manpower system need not be incompatible with the achievement of a coherent manpower effort. In the case of Manitoba, however, this dual system is based on an apparent contradiction. The two populations are not, of course, mutually exclusive, but there are important differences in certain of their basic characteristics. It would be expected, therefore, that there would be differences in the objectives and the nature of the services provided for the individuals in the two components of the population. This is not the case, however. On the contrary, the objectives and character of the services provided are virtually identical. Herein lies the apparent contradiction.



To elaborate on this point, it might be noted that the operational criteria used by Manpower are based on empirical evidence which suggests that the individuals who are most likely to benefit from existing services, particularly training and mobility, are those individuals that have a history of stable labour force attachment and behaviour. It follows that the individuals who are least likely to benefit from these services are those individuals who are excluded from participation by Manpower operational criteria. The logical conclusion: efforts to provide access to services for those individuals who are denied access to services administered by Manpower are ill-conceived.<sup>4</sup> The contradiction is, however, more apparent than real, and will remain as such so long as the modified neo-classical model provides the conceptual basis for manpower policy. It follows from this model that programs for the two populations may differ in degree, but not in kind. Thus even if the differences in the characteristics of individuals comprising the two populations are recognized--and they have been to some extent in the programs administered by the VRS--the only difference in programming would be in the nature of the training, mobility assistance, placement assistance, etc. provided for the component of the population not now served

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<sup>4</sup>The Minister of Manpower and Immigration--Bryce Mackasey--announced in the latter part of June, 1972 that the controversial OTA allowance eligibility criteria are being changed to permit accessibility to all persons one year beyond the age of compulsory school attendance--in Manitoba 16. He did not, however, indicate that there would be a concomitant increase in resources to permit accomodation in training programs of those individuals who now qualify for training allowances. This means that counsellors and CMC's will still be required to make judgements with respect to the individuals who are referred to training. It is possible, therefore, indeed probable, that the change in legislation will have a minimal impact on the operations of the OTA program. The change does, however, take the federal government off the proverbial political hook.



by the programs administered by Manpower.

To a large extent this dual manpower system has emerged as a result of federal government initiatives. The provincial governments role in the manpower field is essentially one of servicing the programs of federal government departments. Thus Youth and Education operates a broad range of training activities to which Manpower refers its "clients"; VRS provides counselling referral and placement services for persons covered under the terms of the VRT legislation, The Canada Assistance Plan and agreements with Indian Affairs; and Agriculture operates the Manpower Corps Program in conformance with DREE specifications. The Provincial government's role is not, however, totally passive. It is able to exercise a direct influence on the scale and content of programs that are based on open-ended cost-sharing legislation such as VRT, and an indirect influence on other programs through participation in various federal-provincial and provincial bodies or mechanisms. In general, the emergence of a dual manpower system in Manitoba has been accomodated and to some extent encouraged by the posture and activities of the provincial government.

To sum up, the manpower effort in Manitoba is based on a dual manpower system. This dual system has emerged in response to a variety of problems, but this is not reflected in either the objectives or contents of the services offered in the two systems. The objective is to prepare individuals for available employment opportunities. The techniques utilized to achieve this objective are counselling, training, movement and the provision of information relating to job opportunities. Theoretically, most individuals have access to the services provided by one or other of



the systems. Pratically, access is limited by limitations in resources and the absence of programs directly related to the needs of individuals served by the residual system. The question that must be answered is whether or not this dual system would be compatible with the requirements in Manitoba even if the major weaknesses in the system-- the limitations in resources and the absence of programs directly related to the needs of the residual population-- were remedied.

#### The Goals of the Provincial Government

The problems that have been of particular concern to the present government since it assumed office in 1969 are the general problems of unemployment, poverty, and inequality and the specific problem of "disadvantaged" groups or minorities. These problems may be briefly defined as follows: unemployment, a deviation of the provincial unemployment rate from some rate which is considered desirable and attainable-- in Manitoba this rate is less than or equal to 3 percent<sup>5</sup>; poverty, the existence of incomes which fall below some generally accepted subsistence minimum-- in Manitoba, the "Podoluk poverty lines" are normally used as the basis for monitoring the incidence of absolute poverty<sup>6</sup>; inequality, the existence of incomes which are either low or high in relation to some average-- in Manitoba, a philosophical belief that existing income disparities are excessive but no concept of an "appropriate" distribution or commitment to an "improved" one; "disadvantaged" minorities, the existence of groups

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<sup>5</sup>This three percent maximum for aggregate unemployment is, of course, the goal established for Canada by the Economic Council of Canada.

<sup>6</sup>J.R. Podoluck Incomes of Canadians (Ottawa: Queens Printer, 1968), pp. 185-6.





which are homogeneous with respect to one or more characteristics which differentiates its members from the rest of the population, and which experiences a disproportionate incidence of incomes which are low in relation to some average -- in Manitoba the Indian and the Metis. The intention here is not to present a detailed analysis of the nature of these problems in Manitoba but rather to develop a general perspective which will provide a basis for an evaluation of the potential of the manpower effort to contribute to the solution of these problems.

The key factor influencing the level of unemployment in Manitoba is the rate of economic growth. There is, of course, a number of additional factors that influence the level of employment such as the rate of technical change, the degree of urbanization, the size distribution of firms and variations in the pattern of seasonal, industrial and regional economic activities. Normally, however, the influence of these other factors tends to be functionally related to the rate of economic growth. Thus when the rate of economic growth is high, the unemployment level tends to be low and the impact of seasonal, regional, and other factors muted; but when the rate of economic growth is low, the unemployment level tends to be high and seasonal, regional, and other factors aggravate the unemployment problem. In Manitoba, the rate of economic growth and therefore the general unemployment level is largely determined by external factors. Of particular importance is the general mix of economic policies employed by the federal government.

Since 1969, unemployment in Manitoba has persisted at relatively high levels in comparison to the rate which prevailed in the preceeding three years-- the rate has fluctuated between 4 and 6 percent of the labour



force.<sup>7</sup> There is much evidence to suggest that the high unemployment levels in Canada and in Manitoba are attributable to a perverse mix of monetary and fiscal policies originating in Ottawa. There are a number of reasons why unemployment is a source of concern but the critical ones appear to be, first, a reduction in the rate of improvement in the general "standard of living", second, the debilitating effects suffered by the individuals who experience protracted periods of unemployment, and third, aggravation of existing problems which are of concern to the provincial government, specifically poverty, inequality, and the problems of "disadvantaged" minorities.

The present confusion in Ottawa and the unsettled conditions in the international economy indicate that unemployment will remain at relatively high levels for at least the next four to five years. Indeed, recent statements emanating from Ottawa indicate that the present government does not even consider it any longer fashionable to pay lip service to the desirability of achieving full employment. The explanation for the emergence of this cavalier attitude is to be found in the decrees of some of our most respected economists. Recent articles pertaining to the problem of unemployment and inflation conclude that simultaneous achievement of stable prices and full employment is impossible. Thus the policy choice confronting society is "...a little unemployment and a little inflation or alternatively a little inflation and a little unemployment."<sup>8</sup>

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<sup>7</sup>Statistics Canada, The Labour Force: Special Area Tables, (Ottawa: Queens Printer), Catalogue no. 71-001.

<sup>8</sup>James O'Connor, "Scientific and Ideological Elements in the Economic Theory of Government Policy" in Robert L. Heilbroner and Arthur M. Ford eds. Is Economics Relevant? (California: Goodyear Publishing Company, 1971), p. 204.



There are two points of particular relevance in connection with the problem of unemployment as it affects Manitoba. The first is that it has a disproportionate impact on certain components of the population and, in certain sectors and regions of the province. In particular, there is a disproportionate impact on the relatively unskilled and ill-educated components of the labour force, in the "rural" areas of the province and in the construction and manufacturing sectors of the economy. The second is that the effectiveness of provincial government programs in other policy areas is reduced during period of high unemployment; both because the provincial government must divert resources to programs that will have a direct impact on the level of unemployment, and because the success of programs in these others areas is contingent on the maintenance of high-levels of employment.

Poverty and inequality are of course exacerbated by high levels of unemployment. The tendency in Canada and Manitoba is to use the terms poverty and inequality to refer to an "absolute" deficiency in income in relation to some defined minimum, although this tendency is less characteristic of the Manitoba government than it is of the federal government. Since 1968, the operational definition of the incidence of poverty employed by both governments has been the "Podoluk" poverty lines. These poverty lines are based on the assumption that individuals in families spending 70 percent or more of their income on food, shelter and clothing are living in conditions of poverty. The income levels producing this pattern of expenditures in 1961 were \$1,500., \$2,500., \$3,000., and \$4,000. for families of one, two, three, four and five or more. It was estimated that in 1961 approximately 25 percent of Canadian families and 27 percent of Prairie





Region families had incomes below these poverty lines.<sup>9</sup> Comparable estimates have not been published for Manitoba but, given that there is a higher proportion of Manitoba households in low income groups than there are Canadian and Prairie Region households, it is probable that the incidence of poverty in this province is slightly higher than the incidence in both Canada and the Prairie Region. Recent estimates based on these measures -- adjusted for changes in the consumer price index -- indicate that there was significant decline in the incidence of poverty in Canada between 1961 and 1969; the estimates for these years are 25 percent and 17 percent respectively. Despite this improvement, the number of families below the poverty line increased. These poverty lines have been subjected to much criticism in recent reports on the poverty problem in Canada. The major criticism, and it is a valid one, is that "...the living standard that the 1961 poverty line represents is kept frozen and only adjusted for increases in the cost of living...[they do not therefore]...rise with the general standard of living..."<sup>10</sup> Official adoption or at least acceptance of these poverty lines and the Economic Council method of adjustment is a reflection of the lack of concern of governments with respect to inequality.

The poverty population in Manitoba as defined by the "Podoluk" poverty lines consists of three main components: families whose heads are

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<sup>9</sup>J.R. Podoluk Incomes of Canadians, (Ottawa: Queens Printer, 1968), pp. 185-6.

<sup>10</sup>The data pertaining to changes in the incidence of poverty, and the criticisms of the poverty lines are from: Ian Adams, William Cameron, Brian Hill, Peter Penz, The Real Poverty Report, (Edmonton, M.G. Hurtig, 1971), pp. 9-10.



unemployed; families whose heads are non-participants in labour force activities; and families whose heads are employed in marginal activities, that is, the "working poor". The probability of a family being in one of these three categories is enhanced if the heads have one or more of the following characteristics: no formal education beyond elementary school, female, over 65 years of age, mentally or physically handicapped, living in isolated and in organized or rural areas of the province, and of Indian ancestry, that is, Indian or Metis.<sup>11</sup> There are a number of aspects of the poverty problem that bear stressing. First, if an absolute definition of poverty is employed then the incidence of poverty is largely dependent on the measures adopted. Thus lowering the ECC measures would reduce the incidence of poverty, raising them increase the incidence of poverty. Second, the incidence of poverty, whatever the measure employed, would decrease over time as long as the only adjustment made in the measure is for increases in the prices of goods and services, but the numbers of people afflicted by poverty could increase or remain constant over relatively long periods of time. Third, despite the relative constancy of the size of the poverty population, its internal dynamics tends to be high, that is, there is considerable turnover in the individuals and family comprising the poverty population. Fourth, despite the internal dynamics of the poverty population, there is surprising constancy in the characteristics of individuals and families in the poverty population. And fifth, the incidence of poverty is inversely related to the rate of economic growth

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<sup>11</sup>The Economic Council of Canada, Fifth Annual Review: The Challenge of Growth and Change, (Ottawa: Queens Printer, 1968), Chapter 6.



and directly related to the level and rate of unemployment. Again, these factors have important implications for the present manpower effort in Manitoba.

The term "disadvantaged" as it is used in Manitoba refers to individuals and families comprising a component of the population which exhibits a high propensity to consume social services. This high propensity to consume social services is of course a result of a disproportionate incidence of unemployment and, incomes which are low, both in absolute terms and relative to some average income for the population as a whole. Thus individuals who are mentally or physically handicapped, have no formal education or acquired skills, live in rural areas of the province or are of Indian ancestry have at one time or another been classified as disadvantaged. In the last few years, however, it has become apparent that persons of Indian ancestry suffer from a relatively more serious disadvantage than do other minority groups in the population.

There is at the present time between 65 and 70,000 individuals of Indian ancestry in Manitoba. It is traditional to divide this population into two components: registered Indians, and non-registered Indians or Metis. The sole basis for this differentiation is official Indian Affairs status. The total population divides evenly into these two categories; that is, there are between 32,000 and 35,000 in each component of this population.<sup>12</sup> In general, individuals of Indian ancestry

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<sup>12</sup>There is some variance in available estimates on the sizes of both the individual components and the total population of Indian ancestry. The estimates used here are based on data provided by the Department of Indian Affairs and the Community Welfare Planning Council of Winnipeg.



in Manitoba live in dire poverty. The results of a survey conducted by Indian Affairs in 1965 revealed that 78.5 percent of registered Indian households in Canada had incomes of less than \$3,000 a year, 54.5 percent less than \$2,000 and 28.2 percent less than \$1,000.<sup>13</sup> These data are not disaggregated by province, but it is probable that Indians in Manitoba are as bad if not worse off than Indians in other provinces. They are for the most part ill-educated, lacking in marketable skills and living in communities with limited economic potential and serious deficiencies in the basic amenities--decent housing, utilities, adequate health services, recreational opportunities, etc.--commonly associated with the "good life". As a consequence, many individuals, families and communities are heavily dependent on subsistence payments from governments. One of the tragic outcomes of these deplorable conditions is an extremely high rate of social disorganization. This is reflected in a disproportionate number of violent deaths, illegitimate births, abrasive contacts with legal authorities and periods of confinement in penal institutions. To date, the more extreme manifestations of social disorganization have not directly affected the "mainstream" population in Manitoba. There are a number of trends, however, which suggest that spillovers affecting the population at large are inevitable.<sup>14</sup>

Two trends in particular are relevant. These are: first the rapid increase in the population--approximately 50 percent of the popu-

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<sup>13</sup>These data were obtained from an official in the Regional Office of Indian Affairs in Winnipeg.

<sup>14</sup>These observations are based on an assessment of data from a number of published articles and from "internal" documents the circulation of which is restricted to the respective departments.





lation is less than 15 years of age, and the rate of increase in the population is significantly higher than the rate of increase for the population as a whole; and second, the diminishing resource base--both absolutely and relative to the population--in traditional communities. The combination of these two trends produces a third: an increase in migration of people of Indian ancestry from reserves, and rural and remote communities to urban centres in Manitoba. There is reason to expect, therefore, that the increasing incidence of assaults, homicides and accidental deaths in the reserve, rural and remote communities will be duplicated in the urban environment. Inevitably this violence will involve individuals in the rest of society.<sup>15</sup>

The objective of government policies--both federal and provincial --with respect to people of Indian ancestry is that of providing them with employment and earning opportunities. It is hoped that this approach will both short circuit the vicious poverty cycle in which these people are currently trapped, and enable them to adapt to the requirements of an urban industrial society. The main approach employed in attempting to achieve this objective has been manpower programs.

The three specific problems which have been discussed in this section - unemployment, poverty, and the disadvantaged - are by far the

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<sup>15</sup>An implicit assumption in the discussion of "disadvantaged" minorities is that the characteristics of the two components of the population Indian ancestry are identical. Statistics relating to the characteristics identified are based on data for the registered Indian population originating with Indian Affairs. The assumption that the characteristics of the Metis population are similar is probably realistic because many of the Metis communities in Manitoba are adjacent to reserve communities and have essentially the same characteristics and because many of the Metis in urban communities are Indians who have lost their Indian Affairs status as a result of marriage or some other technicality.



most serious, persistent and perplexing in our society. These problems are, of course, closely interrelated. Moreover, there is some, perhaps, considerable overlap of the poor, the unemployed and the disadvantaged populations. The goals of the Manitoba government with respect to these problems are presumably to reduce unemployment to 3 percent or less--this is a proxy for a full employment objective--to eliminate absolute poverty and to reduce the disadvantages of the population of Indian ancestry.

The Potential Contribution of the Manpower Effort to the Achievements of the Goals of the Manitoba Government.

The question to be considered in this section is: what precisely is the nature of the potential contribution of the manpower effort to the solution of pressing economic and social problems of concern to the Manitoba Government? A partial answer to this question is implicit in the limitations of the conceptual framework on which the manpower effort is based. To review briefly, these limitations are: first, the possibility of a less than full employment situation is acknowledged but manpower policies are predicated on the assumption that the unemployment that does exist is attributable to a mismatching of skills and job specifications and/or labour market frictions; second, achievement of an optimum allocation of labour is consistent with gross inequalities in income and absolute deficiencies in income--poverty; and third, discrimination, existence of monopoly powers and policies designed to protect the interests of property owners are not incorporated in the model.

To the extent that unemployment is attributable to either a mismatching of supply and demand of labour and/or bottlenecks and frictions



in the labour market, the manpower effort may contribute to a reduction in unemployment through providing training, stimulating mobility and improving flows of information. The impact of these activities on the levels of unemployment during periods of stagnation and recession or during periods when the rate of increase in the labour supply exceeds the rate of increase in job creation is, however, marginal. The major benefit of the manpower effort during such periods originates in those programs which temporarily remove people from participation in the labour market, and, even here, the benefits are largely illusory. The removal of people from the labour market contributes to a direct reduction in the unemployment rate.<sup>16</sup> In addition, participation in these programs provides individuals with an alternative which is preferred to an extended period of involuntary idleness. There is also a possibility that the participants in training programs may acquire skills which could enhance future employment and earnings potential. However, existing courses offered in training programs in Manitoba are, as has been pointed out before, more likely to produce a displacement effect than they are a multiplier effect. This means that there will not be a net increase in jobs as a result of the training provided. Benefits to the participants will, therefore, be at the expense of non-participants who would otherwise have been absorbed into available jobs. The conclusion must be that the present manpower effort can not have an appreciable impact on the overall level of unemployment.

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<sup>16</sup>For example, if the total labour force is one hundred thousand and the unemployment rate is 10 percent, placing five thousand individuals in training programs would, other things remaining equal, reduce the unemployment rate to 5.3 percent.





The limitations of the manpower effort with respect to the poverty problem and the plight of the disadvantaged is even more obvious. Since the achievement of an optimum allocation of labour under full employment conditions is compatible with both inequalities in incomes and absolute deficiencies in incomes, it is highly improbable that policies and programs that have this as their objective will do much to alleviate the plight of individuals in these groups. There is a possibility that manpower programs would contribute to a reduction in the incidence of absolute poverty as it is measured in Canada, in a prolonged period of sustained growth and tight labour market conditions.<sup>17</sup> This would, however, be attributable more to general economic conditions than it would be to the manpower effort.

The disadvantaged minority of particular concern in Manitoba occupies the bottom stratum of the poverty population - a "hard core poor". Needless to say the previous conclusions are particularly relevant with respect to this problem. Two additional points are pertinent. First, there is considerable evidence to suggest that the range of services available in the existing manpower effort, while they are accessible to some individuals in this group, are basically incompatible with their needs and aspirations. As a result, these services are unlikely to contribute to an improvement in the welfare of these individuals whatever the state of general economic and labour market conditions. And second,

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<sup>17</sup>Relative poverty, that is, inequality could and probably would increase under these conditions even though the incidence of absolute poverty was decreasing.



insofar as the disadvantages of this group originate in racism and the discriminatory actions of both individuals and organizations with monopoly powers -- trade unions and professional associations, etc. -- it is inconceivable that policies and programs based on a model which abstracts from these factors will alter their situation.

The general conclusion which emerges from the foregoing is that the manpower effort has little contribution to make to the solution of problems in Manitoba. If anything, the impact of the manpower effort has been negative; the pervasive optimism of the manpower philosophy has tended to obscure the origins of critical problems and consequently discourage efforts to identify reforms and innovations that would contribute to their solution. This is not to say that manpower programs do not have any potential to contribute to the achievement of social and economic objectives in Manitoba. On the contrary, some individuals, some families and some groups have derived benefits from particular manpower programs. The problem is with the policy not the programs. It must be recognized, that the policy, as it is presently conceived imposes severe limitations on the role which the programs can play with respect to the basic problems which are of concern to the Manitoba government--and presumably other provincial governments.<sup>18</sup>

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<sup>18</sup>It will be recognized that the potential contribution of the manpower effort has been considered in isolation from other types of policies and programs. This would be a valid criticism of the approach used in this section. The justification for using this approach is that there is very little evidence to suggest that serious attempts have been made to intergrate the existing manpower effort with other policies and programs except for a limited number of small-scale projects. On the contrary, one of the apparent dictums adhered to by governments of Canada is that policies in a particular operational area must be conceived and developed in isolation. The result is a fragmented approach to most problems.



In a recent study prepared for Manpower by Paul E. Sultan, an attempt is made to establish a case for manpower programs, specifically training as a partial remedy for cyclical unemployment.<sup>19</sup> Sultan reviews the major criticisms of experience with training programs in the 1960's in the United States and Canada: training does not alter the location of unemployed workers in the job queue;<sup>20</sup> training does not affect the general level of employment; training does not have a significant impact on factor costs; training does not eliminate labour market bottlenecks and cannot be "meshed" with changes in employment opportunities; training is characterized by a "creaming off" process in the recruitment of trainees; and so on. In general, Sultan acknowledges that these criticisms are sound. How then can training programs be justified--except on the grounds that they provide a relatively cheap source of labour for firms? More specifically, how can training programs be justified as a remedy for cyclical unemployment?

Sultan points to the so-called trade off problem of inflation and unemployment and the evidence that economic growth is unlikely of and in itself to solve the poverty problem to demonstrate both the lim-

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<sup>19</sup>Paul E. Sultan, Retraining Programs as a Remedy for Cyclical Unemployment: A Critical Evaluation, a report prepared for the Department of Manpower and Immigration, 1971.

<sup>20</sup>Even if training did alter the location of unemployed workers in the job queue, it would be legitimate to question the welfare implication of such an outcome. A case might, of course, be made for such an outcome on the basis of equity considerations in those countries in which specific and readily identifiable groups - in the United States, Blacks and in Canada, Browns - experience a disproportionate amount of unemployment. To achieve the desired evening up in this burden, however, it would be necessary to restrict entry into training programs to individuals in these groups.





itations of monetary and fiscal policies and the need for selective policies. Training--or retraining as Sultan refers to it--is one of the selective policies that might be employed to solve these problems. A case for the extensive use of training cannot be made on the basis of the intrinsic merits of training per se, however. Such a case must be based on a recognition of the limitations of the other options for selective policies that are available:

The major case for retraining is not that it promises swift, efficient and certain solutions to our problem. It rests, rather, in the exhaustion of alternative options for solving the problem. And as we run down the string of policy options, we are confronted with only two or three alternatives to the expansion of training activities. Our case for training must rest, in a large part, on the limits of the alternatives.<sup>21</sup>

What are these options? The two options which seem to be receiving the most attention are some form of guaranteed annual income--that is, an expanded and more sophisticated income maintenance program than we have at present--and the expansion of the role of the public sector to become employer of last resort. Sultan suggests that the former proposal is, incompatible with the dominant work ethic in Canadian society. He argues that a program which results in the permanent exclusion of a substantial proportion of the population from participation in work activities, would have serious social and psychological consequences.<sup>22</sup> The second option

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<sup>21</sup>Paul E. Sultan, Retraining Programs for Cyclical Unemployment: A Critical Evaluation. A report prepared for the Department of Manpower and Immigration, 1971. IX, pp. 4-5.

<sup>22</sup>Sultan is probably correct when he suggests that an income maintenance program which was introduced as a panacea for society's ills would conflict with the dominant work ethic. A recent Gallup Poll asked Canadians if they agreed or disagreed with the following statement made by Prime Minister Trudeau: "Some people prefer to remain on unemployment insurance rather than work, and that is their right. We won't force anyone to work if they don't want to". Approximately four fifths - 78% - of





is rejected by Sultan because it may pose a threat to the private sector insofar as the services produced by the public sector labour force compete with the goods and services produced by the private sector; and also because there would be some danger of creating a "caste system"--Sultan would not apparently associate the stratification produced by existing labour market arrangements with a caste system. It is doubtful that anyone has seriously suggested that either of these proposals represents a panacea for the ills of society, but, by implication, Sultan indicates that they have. He also identifies measures to curtail the power of unions and incomes policy as alternatives. In contrast to the "income maintenance" and "government as employer of last resort" proposals, these proposals have merit and "...deserve serious support by economists..."<sup>23</sup> These measures are not adequate however to cope with our problems. The alternatives, therefore, are either unacceptable or inadequate. This means that there is a definite role for training.

Training, as Sultan sees it, provides a compromise solution between income support payments, on the one hand, and job guarantees in sheltered public enterprise, on the other hand. However, if training is to be used as a counter cyclical policy, it will be necessary to introduce certain reforms in existing training programs. In particular, it is im-

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respondents disagreed with the Prime Ministers Statement. Almost one half of those disagreeing did so because they believe that: "everyone who is able to should work; most people want to work." Winnipeg Free Press, July 26, 1972, p. 4.

<sup>23</sup>Paul E. Sultan, Retraining Program for Cyclical Unemployment: A Critical Evaluation. A report prepared for the Department of Manpower and Immigration, 1971. IX, p. 7.



perative that appropriate mechanisms be set up to guarantee appropriate planning; that there be excess or reserve capacity in training facilities to permit accomodation of large numbers of persons during recessions; that there be speed and flexibility in the scheduling, duration and content of the programs and that special arrangements be made to capture the "discouraged" workers who would otherwise exit from the labour force. Moreover, if the training programs are to contribute to a reduction in poverty and the alleviation of the plight of the disadvantaged as well as stablization then the expanded training programs cannot be simply more of the same "...but require new inducements, new levels of support for the trainee in both the training and his home environment, sustained follow up programs to assure job placement, and so on."<sup>24</sup> In connection with the last mentioned point, that is, the placement of trainees in jobs, Sultan mentions that:

"It may be necessary to undertake a substantial campaign of employer education, to elicit the cooperation of major employer associations at all levels, to establish quotas for the absorption of special groups, to provide for mobility payments for the graduates of training programs, and even to [provide] the payment of subsidies for a brief period to employers to reduce the risk coefficients related to the decision to hire disadvantaged employees."<sup>25</sup>

It is difficult to find fault with the sentiments expressed by Sultan in this report. It is, however, legitimate to ask what would be achieved by the expansion of training in accordance with his proposals. The answer is, not very much. Unemployment would be accepted as a necessary feature of society, inequalities would not be affected, poverty would not

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<sup>24</sup>Ibid. IX, p. 28.

<sup>25</sup>Ibid. IX, p. 28.



be reduced dramatically and the disadvantaged groups would not be affected unless the various other measures that he hints at, such as the establishment of employment quotas, were introduced. It would appear therefore that an expanded training program would simply serve the purposes he eschews: "...income support for mature workers, anti-riot insurance for angry workers and an aging vat for young workers."<sup>26</sup>

The appropriate question to ask at this juncture is: is the only alternative to a marginal role for manpower policies and programs a "boondoggle" on a scale envisaged by Sultan? The answer must be yes. As long as the neo-classical model of the labour market provides the basis for the development of manpower policy and programs, governments and their advisors must continue to grasp at straws. It would appear, therefore, that an expanded and more positive role for manpower policy and programs is contingent on the adoption of an alternative conceptual framework. The task in the next chapter is to consider one such alternative.

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<sup>26</sup>Ibid. IX. p. 29.





## CHAPTER VI

### AN ALTERNATIVE MODEL OF THE LABOUR MARKET

The upheavals and conflicts in North America during the 1960's were precipitated by a new awareness of critical "faults" in the capitalist economic system. Of particular importance are: first, the tendencies for this system to perpetuate inequality, poverty, and racism; second, the inherent pressures for the expansion of firms beyond national boundaries and coincident pressures for the state to extend its sphere of influence to protect the property and interests of nationals abroad; third, competition between "developed" countries for control over diminishing stocks of the natural resources--concentrated in "have not" or "developing" countries--necessary to support a continued expansion in the output of goods and services; and fourth, the emergence of a distinct threat to the environment as a result of indiscriminate use of harmful pesticides, etc., and industrial pollution. The specification of these flaws in the capitalist system stimulated efforts, on the one hand, to find solutions to these problems consistent with the preservation of the capitalist system, and efforts, on the other hand, to provide the documentation necessary for conclusive condemnation. The research which was concerned with the role and character of the capitalist labour market resulted in a "new" theoretical construct; the dual labour market model. The main features of this model are isolated and discussed in this chapter.

The dual labour market theory was originated by Michael J. Piore and Peter B. Doeringer. It has since been refined and extended by these



and other authors.<sup>1</sup> Its principal precursors within the mainstream literature were the concepts of "non-competing groups" and "balkanized labour markets."

The former concept originated with J.E. Cairnes, in 1874. Cairnes research revealed that the labour market was fragmented rather than continuous. He discerned four "non-competing groups" isolated in distinct labour markets:

Unskilled labour or trades where little skill was needed. Artisans such as carpenters or masons. Producers and dealers of a "higher order" whose activities demanded qualifications that could be obtained only by "persons of substantial means and fair educational opportunities;" like Civil Engineers, Chemists and the superior class of retail tradesmen (i.e. store keepers). Persons "more favourably circumstanced" whose ample means would give them a still wider choice, "including members of the learned professions and business executive."<sup>2</sup>

The existence of these non-competing groups produced a well-defined and rigid stratification of the labour market with movement between strata in an upward direction possible, but minimized by barriers inherent in existing socio-economic arrangements. Cairnes concept was confined to the margins of labour market analysis--a qualification to orthodox theory.

In the 1950's Clark Kerr resurrected the concept of "non-competing

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<sup>1</sup>The discussion of the dual labour market theory is based on Michael J. Piore and Peter D. Doeringer, Internal Labour Markets and Manpower Analysis, (Lexington, Mass., D.C. Heath and Company, 1971); Michael J. Piore "Jobs and Training" in Samuel H. Beer and Richard E. Barringer eds. The State and the Poor, (Cambridge, Mass., Winthrop Publishers, 1970); Barry Bluestone, "Low Wage Industries and the Working Poor" in Poverty and Human Resources Abstracts, Vol. III, No. 2, (March-April, 1967); and a series of articles by Piore, Harold M. Baran, Bennett Hymer, and David M. Gordon, in David M. Gordon ed. Problems in Political Economy: An Urban Perspective, (Lexington, Mass., D.C. Heath and Company, 1971).

<sup>2</sup>J.K. Montague, Labour Markets in Canada: Processes and Institutions, (Scarborough, Ontario, Prentice-Hall, 1970), p. 29.



groups", albeit in a somewhat different form.<sup>3</sup> Kerr examined the changes which had occurred in labour markets in the United States with the development of the economy and the emergence of new institutions. He suggested that the "perfect" and "neo-classical" models of the labour market did not conform to the realities of labour market conditions in the United States. Instead, he suggested that the realities of contemporary labour markets demanded the use of two substantially different models: the "natural" labour market, and the "institutional" labour market. The natural market, which was in the ascendancy prior to World War II, was characterized as:

"...one in which the average worker has a narrowly confined view of the market and, in addition, is not an alert participant in it. Unions do not exist. Employers...either because of smallness of number or informal cooperation...can exercise some monopolistic influence... The operation of the job market does not determine wages but, rather, sets the limits within which they are fixed..."<sup>4</sup>

The "institutional" labour market, which Kerr concluded was increasing in importance by the end of the Second World War was distinguished by:

The substitution of institutional rules for frictions as the principal delineator of job market limits; of institutional and leadership comparisons for physical movement as the main basis for the interrelatedness of wage markets; and of policies of unions, employers, and government for the traditional action of market forces as the more significant source of wage movements.<sup>5</sup>

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<sup>3</sup>Clark Kerr "Labour Markets: Their Character and Consequences" American Economic Review, (May, 1950), Reprinted in George P. Shultz and John R. Coleman, eds. Labour Problems: Cases and Readings, 2nd edition (New York, McGraw-Hill, 1959), and "The Balkinization of Labour Markets" in E. Wight Bakke ed. Labour Mobility and Economic Opportunity, (New York, John Wiley and Sons, New York, 1954).

<sup>4</sup>Clark Kerr, "Labour Markets: Their Character and Consequences", in George P. Shultz and John R. Coleman eds. Labour Problems: Cases and Readings, 2nd edition, (New York, McGraw-Hill, 1959), pp. 352-3.

<sup>5</sup>Ibid. p. 355.





Kerr forecast the continued co-existence of these two forms of markets, but expressed the view that the institutional market would become dominant. The growth in the institutional market would result in the creation of "balkinized job markets" which would behave quite differently from the "natural market". "Internally, wages and conditions are more uniform, knowledge more complete, and movement is according to more formalized guides for conduct, such as seniority. Among markets, movement is both reduced in totality and redirected."<sup>6</sup> A further insight in his analysis was the suggestion that institutional policies might emerge as a critical factor in perpetuating the stratification of labour markets:

These institutional policies affect less importantly the number of jobs available and the adequacy of supply to match them than they do the selection of those workers to whom individual opportunities are open. In addition to qualifications related to job performance, other attributes precedent to employment are frequently required.<sup>7</sup>

The dual labour market theory is in many respects an extension of Kerr's work of the 1950's. It's central premise is that "...the role of employment and of the disposition of manpower in the perpetuation of poverty is best understood in terms of a dual labour market."<sup>8</sup> This duality is attributable to the pressures in the economic system which creates tendencies to the concentration of technology, output and profits in larger and larger producing units. These tendencies culminate in the division of the economy into two distinct sectors: a "centre" or "core"

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<sup>6</sup>Ibid. p. 363.

<sup>7</sup>Ibid. p. 363.

<sup>8</sup>Michael Piore "The Dual Labour Market: Theory and Implications", David M. Gordon ed. Problems in Political Economy: An Urban Perspective, (Lexington, Mass. D.C. Heath and Company, 1971).





economy and a "periphery" or "peripheral" economy.<sup>9</sup>

The centre economy is comprised of both large firms employing technologically-advanced and capital-intensive methods of production, and isolated from competitive pressures by the non-competitive nature of the domestic market structure within which they function and timely changes in commercial policy instituted by a vigilant government; and, medium-sized firms, some of which are growing, either because they enjoy a complete or partial product monopoly or have acquired a comparative advantage in production methods, and others, the survival of which is tolerated by larger firms fearful of public disfavour and government intervention. Moreover, the firms comprising the centre economy are protected against adverse turns in market conditions by their ability to manipulate output and consumer tastes, extensive product diversification, and a monopolistic or monopsonistic position with respect to purchasers and suppliers; and protected against the vagaries of government policies by a substantial cushion of retained earnings, and political power. Therefore, firms in the centre economy tend, on the whole, to be highly profitable.<sup>10</sup>

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<sup>9</sup>The terms "centre" and "periphery" originated with Robert T. Averitt, "The Dual Economy" in the Dynamics of American Industry Structure, (New York, Norton, 1968); the terms "core" and "peripheral" with Barry Bluestone in "The Tripartite Economy: Labour Markets and the Working Poor" in Poverty and Human Resources Abstracts, Vol 5, No. 4, July-August, 1970. It might be noted that Bluestone adds an "irregular" economy to the core and peripheral economics to complete his tripartite division. This irregular economy consists of activities which generate pecuniary rewards but do not get included in the national income accounts, such as prostitution, book making, and the distribution of "junk".

<sup>10</sup>See J.K. Galbraith, The New Industrial State, (New York, New American Society, 1967), for detailed discussion of the characteristics of firms in the centre economy.



The periphery economy, in contrast, consists of small firms using technologically-backward or labour-intensive production methods and either fighting for survival at the fringes of oligopolistic market structures or operating in highly competitive market structures. These firms have little flexibility with respect to pricing and output policies, little influence over consumer tastes, if they are producing final goods, and no influence, if they are producing intermediate goods for firms in the centre economy. They are, therefore, vulnerable to deteriorating market conditions. In addition, since these firms have neither easy access to capital funds, nor political power, it is the periphery economy which absorbs the shocks generated by changes in government policies.

These changes in the structure of the economy were accompanied by complementary changes in the character of the labour market. The traditional labour market--at least in conceptual terms--was a single market with a dual function: the setting of a price or prices for labour, and the allocation of available supplies of labour to jobs. It was replaced by a dual market with a single function: the distribution of available jobs to workers. This dual market consists of a "primary" market which organizes the jobs in the centre economy and a "secondary" market which organizes the jobs in the periphery economy. The primary market is composed of jobs characterized by "...high wages, good working conditions, employment stability and job security, equality and due process in the administration of work rules, and chances for advancement."<sup>11</sup> The secondary market, in contrast, is comprised of jobs with the opposite characteristics: "...low wages, poor working

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<sup>11</sup>Michael Piore "The Dual Labour Market: Theory and Implications" in David M. Gordon ed. Problems in Political Economy: An Urban Perspective, (Lexington, Mass., D.C. Heath & Company, 1971), p. 91.



conditions, considerable variability in employment, harsh and often arbitrary discipline, and little opportunity for advancement."<sup>12</sup> Differences in the jobs in the two markets are matched by differences in the characteristics of the workers who man them. Thus workers in the primary market have relatively high educational attainment levels, acquired skills and exhibit stable behavioural patterns, whereas workers in the secondary market have relatively little education, few skills and a history of erratic behaviour--expulsion from or poor performance in the public school system, conflict with the law, high frequency of job changes.

The differences in the characteristics of the jobs in the two markets are attributable to differences in the size and the profitability of firms, and the technological characteristics of production in the two economies. The differences in the characteristics of workers originates in the behavioural traits demanded of individuals who man the jobs in the two sectors. To explain the differences in behavioural traits, it is necessary to consider both the origins of individual productivity, and the organization of the work forces in the two sectors. The technology of production in the centre economy is such that the productivity of the individual is more a function of the period of time the worker spends with the firm, than it is the "specifiable" skills he or she possess. Thus firms tend to emphasize potential job tenure in recruiting workers to fill their vacancies. The screening process to which prospective workers are subjected has two stages. In the initial stage, the more readily discernable, and therefore more superficial characteristics of a worker are as-

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<sup>12</sup>Ibid. p. 91.





sessed. Of particular importance in this respect are such non-job related factors as race, age and sex, and to a lesser extent, appearance, demeanour and speech. Applicants possessing characteristics associated with stable employment patterns, employer loyalty and compatibility with workmates, progress to the second stage of the screening process in which such factors as education, training, health, etc. are assessed. Applicants who do not possess these characteristics, are rejected. Indians, women, teenagers and older workers are normally rejected; individuals in the first three categories, because of behavioural characteristics exhibited by the groups to which they belong, older workers, because of cost considerations. These decisions, in the aggregate, produce a tendency for certain groups in society--Indians, women, teenagers, and older workers--to be relegated to the secondary market. In the case of Indians, ill-educated and unskilled women and teenagers and older workers, there is little hope of escape. The behaviour of firms recruiting in the secondary market--non-unionized construction firms, firms susceptible to seasonal fluctuations in demand, small firms in competitive industries--conforms in some respects to the behaviour of the "firms" in neo-classical theory. These firms do not demand long-term attachment from the members of their work force, and are much more tolerant of lateness, absenteeism and turnover. Moreover, and perhaps more to the point, they are unable to compete with firms in the primary market and must, therefore, recruit in this residual labour market. Even these employers, however, will avoid hiring individuals from certain groups, particularly Indians, when labour market conditions are such as to permit it, that is, when labour market conditions are slack.



This process tends to be self-reinforcing, in that life styles are determined to a large extent by the character of work situations--regularity of employment, job status and peer group influences. In addition, the process is nurtured by private and public institutions--trade unions, the educational system, the social welfare system, etc.--which contribute to the "typing" of groups and individuals both by their policies and their actions. The more obvious manifestations of these differences in the two markets are much higher unemployment and social service utilization rates; and a much greater propensity to participate in illegal activities, etc., on the part of individuals in secondary markets.

The second factor contributing to an explanation of differences of the characteristics of workers in the two markets is the organization of firm work forces. Jobs in the primary market are organized into sophisticated internal labour markets within the firms that operate in this market. These internal labour markets are characterized by well-defined points of entry and a highly structured job ladder which establishes employment relationships and regulates movement of workers between jobs. In most firms, the rules governing the workings of the internal market are codified and administered either by unions--ostensively in behalf of employees, but, in reality, in behalf of employers--or "benign" personnel organizations. The development of organized internal labour markets is partially a manifestation of the "fuzzing" of the link between skills and productivity ipso facto wages. This fuzzing creates pressure on firms to devise new "incentives" which will maintain both work force discipline and structure. The solution to this problem has proved to be in the internal



organization of the work force: "...employers find it convenient to give the illusion of mobility by creating trees of artificial job positions which workers can climb, branch by meaningless branch."<sup>13</sup> The other extreme is the firm in the periphery economy which demands relatively undifferentiated labour. Most firms in the economy lie somewhere between these extremes with various degrees of internal labour market organization.

One apparent result of this internalization of labour markets in the centre economy is that the external market-- the constellation of points of interaction between job seekers and employers --is substantially reduced both in size and scope. The only jobs which appear in the external market are entry level jobs in, or secondary jobs attached to internal labour markets in firms in the centre economy; jobs in firms demanding undifferentiated labour--casual labouring jobs in construction, domestic work, dish washing in restaurants, etc.--; and jobs in firms in the periphery economy which have rudimentary internal markets characterized by many points of entry, limited prospects for advancement and generally poor wages and working conditions--menial jobs in public sector institutions such as hospitals, penal institutions, and the like, jobs in garment manufacturing, and certain types of blue collar occupations. Entry level jobs in the internal labour market represent the only contact which centre economy firms have with the external market and they provide the only

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<sup>13</sup>David M. Gordon ed. Problems in Political Economy: An Urban Perspective, (Lexington, Mass., D.C. Heath and Company, 1971), from the editors introduction to the section of readings on employment, p. 65.



access to primary jobs for workers in the external market. Access to these entry level jobs is, however, denied individuals having characteristics which deviate from the dominant characteristics of workers ensconced in internal labour markets. These workers, that is the workers with the deviant characteristics, form an unemployed and underemployed "underclass."<sup>14</sup>

In contrast to the standard queuing theory of employment which predicts that individuals will move from unemployment into relatively "poor" jobs and on to relatively "good" jobs as labour market conditions tighten, the dual labour market theory produces the conclusion that, while some movement of workers does occur there is an offsetting tendency, namely, backward shifting of work through sub-contracting and the creation of "temporary" or "short duration" job classifications. There is in effect a "creaming off" process. Workers with attributes acceptable to centre economy firms are absorbed into the primary jobs as entry level positions become vacant. As the incidence of workers with these characteristics in gate shapeups declines, however, firms resort to sub-contracting and the creation of temporary and short duration positions, pending the introduction of innovations which will permit the achievement of the desired level of output with the established labour force.

A further point which becomes relevant here is that firms in the centre economy tend to regard a substantial portion of their labour forces as a quasi-fixed factor of production; both because of the existence of guaranteed annual wage, supplementary unemployment benefit, and similar provisions in collective agreements and the heavy investment in "human

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<sup>14</sup>This term is used by Gunnar Myrdal in Challenge to Affluence, (New York, Random House, 1965), p. 41.





capital"--through on the job training, indoctrination sessions, etc.--embodied in the work force. These firms will therefore retain their labour forces when there are adverse changes in demand conditions which are expected to be short lived, as would be the case, for example, in a government-induced slowdown of the economy. Thus when the economy revives these firms are able to achieve an expansion of output without adjusting the size of the work force. If there is a sustained expansion in demand, some increase in the work force will be required but this increase is less than proportionate, because of the existence of a cushion of labour slack and economies in the use of labour originating in innovations in production scheduling, organization and the like. If the expansion in demand is expected to be permanent, firms will make investments in new plant and equipment. The new plant and equipment will be more technologically advanced and capital intensive, and will contain a considerable margin of excess capacity to accommodate anticipated increases in output. These technological changes and more capital-intensive methods of production inevitably result in the displacement of workers. The workers who are displaced are forced into competition for entry labour jobs in other firms which are expanding their labour forces. The process of technological change and the increase in the capital intensity of production methods are instrumental in recreating a pool of workers qualified for primary jobs and, therefore, instrumental in perpetuating the underclass.<sup>15</sup>

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<sup>15</sup>This "underclass" might better be called a "Marxian industrial reserve army." Indeed, it will be noted that the analysis here is almost identical to Marx's analysis. See Capital: A Critical Analysis of Capitalist Production, 3rd Edition, Vol. I, (Moscow, Progress Publishers, 1965). In particular, pp. 624-31.



Implicit in the analysis to this stage is a suggestion that the maintenance of a labour market underclass is inherent in the dynamics of the capitalist system. It is, but this should not be interpreted to mean that the maintenance of this underclass is something of an "accident" which results from the interaction of diverse and impersonal economic forces. On the contrary, David M. Gordon suggests that the stratification in the labour market structure provides employers--the owners and the guardians of capital-- with the control over workers essential to the perpetuation of the interests of capital. Consequently employers have a vested interest in the perpetuation of labour market stratification. It is, therefore, probable that the underclass will persist and further that it will maintain essentially the same characteristics that it has at present; that is, it will consist of Indians, ill-educated and unskilled women, teenagers and older males. The composition of the underclass will tend to remain relatively stable for three basic reasons: first, the ease with which employers can isolate individuals in these groups; second, the resignation of individuals in these groups to the jobs available in the secondary labour market; and third, the definite advantages to employers of segregating specific groups of workers from the general work force.<sup>16</sup> It might be noted, moreover, that despite the relative attractiveness of jobs in the primary market--higher wages, non-pecuniary benefits, stability,

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<sup>16</sup>See Howard M. Wachtel, "Capitalism and Poverty in America: Paradox or Contradiction" in American Economic Review, Papers and Proceedings of the American Economics Association, 1971, (May 1972), p. 190.



etc.--the difference is one of degree, and not one of kind.<sup>17</sup> The existence of the secondary labour market and the associated underclass serves to keep workers in primary jobs in their places, both because the status which they have in society is dependent on the existence of such an underclass, and because it is a constant reminder of the fate which awaits them should they lose favour in the primary market.

And what role does the state play with respect to the dual labour market structure? First the "public" educational system inculcates the attitudes and expectations essential to the maintenance of a disciplined and responsive labour force by replicating the conditions which will be experienced in work situations--industrial work periods, an authoritarian environment, oppressive boredom, and stratification. Second, governments have acquired something of a split personality in their role as employers. In the public service proper--the civil service--the organization of the work force and the system of rewards is similar to that found in firms in the centre economy; including methods of achieving stratification which verge on the trivial--number of windows, size of desks, thickness of carpets, number of plants, etc.--but are nevertheless effective because of it.<sup>18</sup> In some government departments and government sector institutions, such as mental and other hospitals, penal institutions and so on, the

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<sup>17</sup>See Ernest Mandel and George Novack The Marxist Theory of Alienation, (New York, Pathfinder Press, 1970), and Herbert Gintis: "Alienation in Capitalist Society" in Richard C. Edwards, Michael Reich and Thomas E. Weisskopf, eds. The Capitalist System: A Radical Analysis of American Society, (Englewood Cliffs, New Jersey, Prentice-Hall, 1972).

<sup>18</sup>See Walter Stewart. Shrug: Trudeau in Power. (Toronto, New Press, 1971).





organization of the work force and the system of rewards is similar to that found in firms in the periphery economy. In short, public sector employment is a microcosm of the dual labour market structure which exists in the economy as a whole. Third, income maintenance programs administered by governments are used almost exclusively by workers from the periphery economy; and are designed to keep them there. The payments are maintained at low levels to preserve "incentives" and recipients are subjected to constant harassment--presumably to ensure that they do not become permanent charges of the state. And fourth, when unemployment reaches "crisis" proportions and the state is forced to intervene directly to create job opportunities, its efforts inevitably result in an expansion in secondary employment opportunities--rock picking, leaf raking, hole digging and similar activities.

Moreover, the implications of this theory for current manpower programs are devastating. Piore suggests that existing manpower programs are either subverted, or isolated and rejected by established labour market institutions. Institutional training and on-the-job training are examples of programs which have been subverted. Individuals are enrolled in institutional training programs for the purpose of upgrading their skills. Criteria for participation in such programs are, however, set to exclude individuals in the underclass. As a result, the individuals who receive the training are those who would have entered the primary market in any event. All that is achieved, therefore, is the transfer of the costs of training, recruitment, screening, etc. from the private sector to the public sector. Publicly-supported on-the-job training operates in a similar fashion, the sole difference being that the employer normally has



direct control, or at least substantial influence on the trainees who are recruited for the program. Special institutional training programs and behavioural modification programs for the disadvantaged provide examples of manpower programs which have been isolated outside of the economic system. Those programs which have been specifically introduced for individuals who are denied entry into regular institutional training programs usually provide training which is totally unrelated to skills required in either the primary or the secondary labour markets. And programs that attempt to alter the behavioural characteristics of individuals in the underclass ignore the evidence that rejection of these individuals in the primary market is a result of employer assessment of superficial characteristics which cannot be altered, that is, many of these individuals have the appropriate behavioural characteristics but are denied entry because of race, creed, sex or some other characteristic.

The dual market theory is replete with implications for the role which manpower policies could and ought to play in our society. It is, however, necessary to consider how closely the dual labour market theory fits the realities of labour market conditions in Manitoba before stating and assessing these policy implications. It is the contention of this paper that the fit between the dual labour market theory and labour market structures in Manitoba is a good one. First, there is a dual economy in Manitoba. The centre economy is, with some exceptions, physically concentrated in Winnipeg, while the periphery economy embraces the residual producing units in Winnipeg and producing units in the rest of Manitoba,<sup>19</sup>

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<sup>19</sup>This duality is, of course, present in all economies, ranging from the international economy through the local economy of an urban centre of 30,000 population such as Brandon, Manitoba.



Second, the distribution of jobs and workers is consistent with the predictions of the dual labour market theory. The work force in the secondary labour market is dominated by individuals of Indian ancestry and ill-educated and relatively unskilled women, teenagers and older males. The last mentioned "pools" of workers include a large number of persons who have been forced into urban labour markets by the persistent and pervasive changes occurring in the agricultural sector of the economy. Third, the educational system, the employment and pay policies of the provincial government in its role as an employer, the character of income maintenance programs and government attempts at direct job creation confirm the states' role in the perpetuation of the dual labour market structure. And fourth, the existing manpower effort in Manitoba exhibits a definite duality; the one component of the system, administered by Canada Manpower has been subverted by existing labour markets institutions, and the other component, administered by a number of federal and provincial government agencies, operates in isolation from the rest of the economy. The dual labour market theory and its policy implication are therefore relevant in the Manitoba situation.



## CHAPTER VII

### THE IMPLICATIONS OF THE DUAL LABOUR MARKET THEORY FOR THE MANPOWER EFFORT IN MANITOBA

The analysis in the previous chapter suggests that "...fundamental changes in the entire structure of labour market institutions [in Manitoba are required to produce solutions to fundamental problems]."<sup>1</sup> This chapter outlines the rudimentary features of a manpower policy compatible with both the powers and the responsibilities of the provincial government which would initiate these changes.

Four problems of concern to the Manitoba government have been identified in this thesis: inequality, poverty, the plight of the disadvantaged and unemployment. The dual labour market theory suggests not only that these four problems are inter-related but that they originate in the basic institutions of the capitalist economic system. Inequality, poverty and the plight of the disadvantaged-- which are simply manifestations of the same problem-- are an inevitable by-product of a market system based on the private ownership and control of property.<sup>2</sup> In this sense, therefore, inequality, poverty, and the existence of disadvantaged groups are themselves basic institutions in our society-- "...the logical

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<sup>1</sup>David M. Gordon ed. Problems in Political Economy: An Urban Perspective, (Lexington, Mass., D.C. Heath & Company, 1971), from the editors introduction to the section of readings on employment, p. 66.

<sup>2</sup>James Meade arrives at the same conclusion by a somewhat different route. See Equality, Efficiency and the Ownership of Property, (London, Unwin, 1965).





consequence of the proper functioning of capitalist institutions...".<sup>3</sup> Similarly, the problem of unemployment is inherent in the dynamics of the capitalist system and is magnified by the policies of government which cater to the interest of those groups in society owning and controlling capital.<sup>4, 5</sup>

The essence of an intelligent policy is a comprehension of its limitations. It is necessary therefore to preface a particular policy proposal--in this case manpower policy--with the caveat that such a policy must be based on a recognition that it is unlikely to have a significant impact on fundamental problems in the absence of policies designed to "modify" the basic institutions in the economic system. This caveat is not intended to imply that a manpower policy could not contribute to the modification of these institutions. On the contrary, the basic objective of the manpower policy proposed here is the modification of the labour

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<sup>3</sup>Howard M. Wachtel, "Capitalism and Poverty in America: Paradox or Contradiction" in American Economic Review, Papers and Proceedings of the American Economics Association, 1971, (May, 1972).

<sup>4</sup>John G. Gurley, "Have Fiscal and Monetary Policies Failed?" in American Economic Review, Papers and Proceedings of the American Economics Association, 1971. (May, 1972).

<sup>5</sup>A hypothesis that is not considered in this thesis or in any of the readings covered in its preparation is that the real as opposed to the declared purpose of state induced economic slowdowns is to relieve pressures which threaten to erode labour market stratification. (This is implied in Joan Robinson's observation that part of the explanation for wage push inflation is a tendency for workers to forget their place during periods when the economy is operating at close to full capacity, Economic Heresies, (New York, Basic Books, 1971). Government induced slowdowns are, however, extremely unpopular with segments of the electorate and have not, in recent years, relieved the pressures--particularly the demands of trade unions--on capital's aggregate share (Gurley's point in the source cited in n. 4.). Incomes policies are, in some respects at least ideally suited both for the purpose of preserving the stratification of the labour market and preserving capital's aggregate share. Hence their increasing popularity in capitalist countries in recent years.



market. If this objective is to be achieved, the policy must be based on the rejection of the concept of labour as a commodity -- a basic premise in neo-classical theory.

The concept of labour as a commodity should be replaced with a concept based on the principal that: work activities are essential both to the production of socially desirable goods and services and to the fulfillment of the creative and self-developmental needs of the participants in these activities. "Work activities" as the term is used here is defined to include: activities which contribute to the production of goods and services which are exchanged in markets and produce pecuniary rewards for participants; activities which contribute to the production of goods and services which are not exchanged in markets **but produce** pecuniary rewards--civil servants, paid workers in community organizations, etc.; and activities which contribute to the production of goods and services which are not exchanged in market transactions and do not give rise to pecuniary rewards--housewives, volunteer workers, etc. Activities that are not embraced by this definition are differentiated from work activities in one or both of two respects: first, they do not result directly in the production of socially desirable goods and services, although they could as in the case of education and training, ultimately influence the output of goods and services; and second, they are subordinate activities in the sense that unlike work activities: "...[they do not directly engage] nearly one-half of one's entire life, [they are not] the single major outlet for initiative, creativity, and craft; [and they are not] basic and



formative in individual personality development".<sup>6</sup> These activities are, however, similar to work activities in that they contribute to the fulfillment of creative and self-developmental needs, both directly and indirectly, in the ways in which they influence participation in work activities. They are, therefore, legitimate alternatives to work activities. A corollary of this principle is that if work activities are to contribute in a significant way both to the production of socially desirable goods and services and to the fulfillment of the creative and self-developmental needs of individuals, control of activities in a particular work environment--plant, office, field, etc.--and in the case of subordinate activities, other environments, must be vested in participants. Such control is necessary to reduce the "...powerlessness, meaninglessness, isolation, and self-estrangement",<sup>7</sup> which characterizes existing work environments.

The general goal of a manpower policy based on these principles becomes one of: providing the opportunity for each person to participate either in work activity which contributes both to the production of socially beneficial goods and services and the fulfillment of individual needs for creative expression and self development; or in alternative activities that are conducive to the fulfillment of creative and self-developmental needs. Adoption of this goal would shift the emphasis of manpower policy from the current one of providing a well-disciplined,

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<sup>6</sup>Herbert Gintis "Alienation in Capitalist Societies" in Richard G. Edwards, Michael Reich and Thomas Weisskopf, eds. The Capitalist System: A Radical Analysis of American Society, (Englewood Cliffs, New Jersey, Prentice-Hall, 1972), p. 279.

<sup>7</sup>Ibid. p. 375.





skilled and responsive supply of labour to that of altering the environment within which work activities take place to accommodate the needs and aspirations of the individuals who perform them. It is important to note at this point that an implicit assumption in the foregoing is the retention of a market system and, in the foreseeable future at least, a link between work activities and income. The primary, but not the exclusive focus of manpower policy should be, therefore, those types of work activities that give rise to incomes. However, such emphasis is warranted not only because incomes are derived from work activities but because work activities as they are perceived in this paradigm are goods in themselves.<sup>8</sup> To illustrate the importance of this distinction it is necessary to establish an ordering of work activities. The three factors which are relevant in establishing this ordering is the extent to which a particular activity: first, contributes to the fulfillment of creative and self-developmental needs of the individual; second, contributes to the production of socially desirable goods and services; and, third, generates income. In the ordering of specific work activities the heaviest weighting is given to the first two factors--which are of course, interrelated in many respects. Thus, work activity which receives a high rating with respect to these factors would rank above those activities which receive a low rating but produce greater incomes, for example, child-care services would receive a higher rating than the production of jewellery. The objective of government,

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<sup>8</sup>It is apparent that some politicians share this belief. The factor which is inevitably stressed in government announcements with respect to new or expanded business establishments in Manitoba is that new jobs will result. However, they do not appear to have grasped the implications of this belief.



therefore, would be the maximization of higher order work activities, subject to the basic requirements of society with respect to specific goods and services--food, shelter, clothing, health services, etc..<sup>9</sup>

The adoption of the objectives proposed here would have important implications for other government policies, in particular, employment, social development, and income maintenance policies. Since the first concern of manpower policy is work activities which, other things being equal, give rise to income, the objective of employment policy must be to ensure the creation of adequate "jobs"--where jobs are considered to be bundles of work activities--to satisfy the income requirements of the population. The traditional definition of full employment as a percent of the labour force which is unemployed--the current definition in Canada is 3 percent--must give way to a definition that requires that the number of jobs be sufficient in both quantity and quality to accommodate, as a minimum, all individuals who are dependent on employment as a major source

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<sup>9</sup>One of the problems with neo-classical theory is its penchant for compartmentalization. Thus consumer and labour markets are considered in isolation. In the former market, the basic assumption in analysis is that of consumer sovereignty; in the latter market, workers sovereignty. An implicit assumption in the theory is that consumer sovereignty takes precedence, or, in other words, that the motive force in the economic system originates with the behaviour of consumers. If this is the case, it is clear that worker sovereignty can only be operative within well defined boundaries which are established by the actions of consumers. In any event, work is treated as a "bad" in neo-classical theory which means in effect that the expression of worker preferences is confined to a selection of a lesser evil. Abba Lerner notes with approval that "...the full achievement of consumer sovereignty has been called an "ideal output." (See "The Economics and Politics of Consumer Sovereignty" in American Economic Review. Papers and Proceedings of the American Economics Association, 1971, (May, 1972), p. 258. This view is consistent with the notion that worker sovereignty is subordinate to consumer sovereignty and the concept of work as a "bad". If however work is treated as a "good" and the concept of workers sovereignty given equivalent weight to consumer sovereignty the "ideal output" would be that which simultaneously satisfies both sovereignties.



of income. There is evidence to suggest--the relatively high levels of unemployment since 1952--that the Canadian economy, as it is currently organized, may be incapable of generating the volume of opportunities required to satisfy this goal. Indeed, it is suggested above that the achievement of such a goal would conflict with the basic interests of owners and managers of property in the private sector. Moreover, since control over monetary, fiscal, commercial and other important economic policies is vested in the federal government, achievement of this goal would be extremely difficult in a provincial economy. Nevertheless, the Manitoba government can: first, manipulate those economic variables over which it has control in a manner consistent with the achievement of this goal; second, mount a sustained attack on federal governments which maintain policies which are not consistent with the achievement of this goal; and third, extend the range of work opportunities available in the non-commercial sector--the public sector--of the economy.

Social development policy refers to those measures that are intended to assist specific components of the population such as the young, the old, female heads of households, etc. At present, these activities tend both to be fragmented and to lack concrete objectives. The general objective of this policy should be to create activity options for people who are trapped in a situation which they are powerless to escape. Certain components of this population require work activity options which produce incomes and have the other desirable attributes. Other components of this population are involved in socially desirable activities that do not produce incomes, for example, female heads of households. In these cases, the objective should be to provide the support that will enable them to function effectively in this activity, and, at the same time, create





opportunities for participation in supplementary activities--recreation, education, etc. Still other components of this population are not able to participate in traditional work activities because of various types of handicaps--age, physical, mental, etc. Attempts should be made to modify existing work environments to accommodate those members in this group who would benefit from participation in work activities. The objective with respects to those who are ill-suited to participate in work activities should be to provide them with opportunities related to their aspirations and needs.

Inequalities in the distribution of income originate in the gross inequalities in the ownership of property, including education, and concentration of power in the hands of property owners. The institution of private property and the inequalities in its distribution are likely to persist in the immediate future. It should be anticipated, therefore, that the generation of adequate work opportunities to satisfy the income requirements of the population would not eliminate inequalities in the distribution of income. The position of the government with respect to this problem should be that of ensuring that individuals, families and groups are not penalized because they do not own or control property. There is, of course, only one method of doing this and that is by redistributing: first, wealth either directly in the form of income, or, indirectly, through the transfer of consumption of certain types of goods and services--transportation, housing, all types of health services, etc.--from a private to a collective basis; and second, power by decentralizing and dispersing decision-making responsibilities. In connection with the second-mentioned option, it should be noted that it is much easier to define the objective than it is to identify specific measures which would contribute to its achievement. Certainly, experiences in other countries, notably countries purporting to have socialist economic systems, are not encouraging in this respect.





Thus far, the objectives of manpower policy have been established and the implications of these objectives for other government policies have been assessed. The task that remains is to indicate the content of manpower policy. Complete specification of the content of this policy is beyond the scope of this thesis. All that will be attempted in what follows, therefore, is to indicate specific measures which will produce the desired changes in labour market institutions. The guidance for these measures is to be found in the dual labour market theory. In particular, the policy options which are compatible with the policy implications of this model are: first, policies designed to eliminate those factors responsible for the existence of two labour markets; and second, policies which reduce barriers to mobility between the two markets. The first option stresses measures that alter the environment in which labour market decisions are made--that is, which contribute to an expansion of the primary market; whereas the second option stresses direct measures which result in the transfer of workers from secondary to primary jobs--that is, measures which contribute to a shrinkage in the secondary market.

With respect to the latter option,-- the transfer of workers from secondary jobs to primary jobs-- it has been noted that the existing manpower programs in Manitoba are incompatible with the needs of individuals who are confined to the secondary labour market. Training is designed for individuals who qualify for entry into the primary market, and is, therefore, ill-suited to satisfy the needs of individuals who do not have the same proclivities and characteristics. Placement activities are related primarily to jobs in the secondary labour market which tend to reinforce or inculcate behavioural patterns and life styles which are unacceptable

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in the primary labour market; and work experience projects are of short duration and do not produce outcomes yielding permanent benefits. In short, they are stop-gap measures introduced solely because of the absence of acceptable alternatives. If these services are to contribute to the mobility of workers from the secondary to the primary market, they must be drastically altered.

Individuals with stable work experience, recent labour market entrants with little or no previous work experience and individuals who are prevented from participating in work activities because of certain types of obstacles may derive benefit from certain types of training. The major difference between these individuals and individuals who are accepted in the primary market is that they tend to be relatively ill-educated, inept at exploiting available opportunities and inert. They are, therefore, unlikely to search out training opportunities; and, if they do, they will be discouraged from participating by the entrance requirements, the course content or the location of the training facilities. If training is to be of value to individuals in the secondary market it is apparent that it must be more accessible and more flexible in terms of entrance requirements, content, duration and the character of the training environment. In general, training should be designed to: first, upgrade the skills of individuals who are trapped in low wage jobs or in situations which prevent participation in work activities; and second, prepare recent labour market entrants for direct entry into jobs in the primary labour market. Specific components of the training program should be tailored to meet the requirements of specific groups. For this reason, it is imperative that the establishment of precise entrance requirements



for particular types of or training in general be avoided. Moreover, the content of training programs should be flexible and developed in consultation with representatives of trade unions, and representatives of organizations which promote the interests of the intended beneficiaries of the training.

In general, the training should have the following characteristics. First, it should emphasize ways in which individuals and groups in the secondary labour market can confront and overcome barriers to their mobility. Second, to overcome the lack of responsiveness of these individuals to the existence of training opportunities it would be necessary to establish direct contact for the purpose of informing them of opportunities and encouraging their participation in the development and implementation of the programs. Third, programs should be offered in available facilities in areas in which secondary labour market participants are concentrated--low income neighbourhoods-- and the scheduling of programs should be flexible to allow for simultaneous participation in other types of activities--work, recreation, etc.. Fourth, obstacles which could prevent individuals from effective participation in these programs should be eliminated. Thus, day-care centers would be provided for heads of households with small children, assistance would be provided for individuals experiencing legal difficulties, and, in all cases, financial assistance, related to the income requirements of the household would be provided. And fifth, the objectives of the various types of training introduced for individuals in the secondary labour market should be clearly identified and explained to participants at the outset to avoid creating misconceptions with respect to the probable results.





Work-experience activities are best suited to meet the needs of individuals who have a history of chronic unemployment and other types of problems--this group might include some individuals who have recently entered the labour market and non-handicapped individuals whose main source of income is illicit activities and/or public assistance payments. The present basis on which work-experience projects are operated is incompatible with the requirements of the individuals in these groups. The work-activity experiences should be organized in accordance with the following principles. First, projects should be introduced on a quasi-permanent basis in those areas of Manitoba where there are large concentrations of individuals in low income groups. Second, the projects should be designed to produce socially desirable goods and services in communities deficient in social capital--housing, health care facilities, recreational facilities, etc.. Third, the projects should be accessible to all members of the community in which they are operated and the period of attachment should be open-ended with decisions to terminate vested in the participants. Fourth, employment in these projects should approximate as closely as possible conditions in the primary labour market, particularly those conditions relating to wages, payment of unemployment insurance, payment of income tax, etc.. Fifth, participants should be encouraged to organize trade unions and these unions should be responsible for the development and implementation of all projects initiated under the auspices of the program. Sixth, individual projects should be designed to generate permanent job opportunities in marginal communities, particularly those communities in northern Manitoba which are predominately Metis or Indian. And seventh, the basis for selecting communities in which work-experience



projects are to be initiated should be the current level of inactivity, as reflected in unemployment rates and levels of public assistance payments, and deficiencies in the stock of social capital.

It has been emphasized in the foregoing that training and work experience programs must have well-defined objectives and that, in most cases, a major objective would be the preparation of individuals for entry into primary employment. One of the problems with existing programs is that people are presumably trained for jobs, but there is no mechanism to achieve this outcome after the training is completed. This suggests that, if the programs which are initiated for the express purpose of transferring people from jobs in secondary markets to jobs in primary markets are to be successful, mechanisms must be established which will give the government control over an inventory of jobs in the primary labour market. Such control it will be recognized would result in the encroachment of the government in a jurisdiction which is considered to be a prerogative of the owners and managers of capital; this is not only necessary but also desirable.

Three mechanisms to provide the provincial government with modest leverage in this respect are suggested here. The first is a general quota system which would apply to all firms other than those in construction and in mining and forestry north of the 53rd parallel. The specific features of this quota system are as follows. First, its purpose would be to create work activity opportunities for individuals who have been denied access to primary labour market jobs by existing institutional arrangements. Second, it would apply initially to all firms and agencies in both the private and public sectors with 100 or more employees, except those that



are excluded from the general quota system. Third, the quota would be established on a progressive basis beginning at 2 percent for firms with 100 to 199 employees, 3 percent for firms with 200 to 499 employees, 4 percent for firms with 500 to 999 employees, and 5 percent for firms with 1000 or more employees.<sup>10</sup> Fourth, to avoid stigmatizing specific groups in the population the quota would be defined in terms of the activities of a provincial government placement service, rather than on the basis of the characteristics of the particular groups which are expected to benefit from the system; and fifth, the system should include safeguards to ensure that the firms provide the necessary training and other services to ensure full integration into work forces of individuals placed under the quota system. The most effective safeguard would be a penalty clause which would apply in cases in which employees are either discharged by the employer, or conditions are created in the work environment which forces the employee to seek termination; for example, the penalty schedule might be based on the period of employment at the time severance occurs and the wage payment that would have been received by the employee had he worked the full twelve months.<sup>11</sup>

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<sup>10</sup>These quotas will generate an inventory of approximately 3,000 jobs distributed as follows: forestry, 10; manufacturing, 890; transportation, communications and other utilities, 1,050; trade, 550; finance, insurance and real estate, 200; and commercial services 330. These estimates are based on a size distribution of firms provided by Statistics Canada. They do not include public administration and they have not been adjusted for casual and part-time employment.

<sup>11</sup>A numerical example might clarify the workings of the penalty clause. Consider an employee who is placed in a job at a salary of approximately \$300 a month. The employer would be required to pay a penalty of \$300 times the number of months remaining in the initial 12-month employment period. Thus if the employee was released in the fourth month in the initial year, the firm would be assessed a penalty of \$2,400. (8 x \$300).





Quota systems have not been attempted on the scale suggested here in other countries, or in other provinces in Canada with the same problems as exist in Manitoba. The basic justification for this system is that in the absence of control over hiring decisions other types of programs--training, work experience, etc.--will not have any significant impact on the problems of individuals confined to the secondary labour market. In addition, there is now considerable evidence available, particularly from the United States, that programs based on incentives and the voluntary participation of employers in the private sector do not work. The conclusion that has emerged from this evidence is that "...it seems clear that training programs will not work for [workers trapped in the secondary labour market] unless the program manifestly guarantees entirely different kinds of job opportunities to those workers...[A]ll the varieties of government programs which offer them less than this end up offering them nothing."<sup>12, 13</sup>

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<sup>12</sup>David M. Gordon ed. Problems in Political Economy: An Urban Perspective, (Lexington, Mass., D.C. Heath and Company, 1971), From the editors introduction to the section of readings on employment. pp. 62-3.

<sup>13</sup>Quota systems have been used in both Europe and the United States. The systems in Europe have had generally good results, the systems in the United States, bad results. The main reasons for the success of the European systems appear to be: (1) levels of unemployment consistently below three percent; (2) a general acceptability of such measures as a result of initial application to war veterans; (3) an elaborate system of institutional supports; and (4) the homogeneity of populations. The explanation for the dismal outcome in the United States stresses the following factors: (1) a high level of unemployment--4.5 to 7.0 percent; (2) the opposition of trade unions; (3) the reluctance of the federal government to prosecute firms violating quotas; (4) the absence of institutional supports; (5) the liberal use of escape clauses by employers; and (6) racism--the quotas apply to Blacks, Indians and Chicanos. (See Beatrice Reubens, The Hard to Employ: European Programs, (New York, Columbia University Press, 1970), for a discussion of European systems: and various issues of the United States Bureau of Labour Statistics publication, Monthly Labour Review, for a discussion of the Philadelphia, Washington, etc. quota plans in the construction industry.





The second mechanism proposed is intended to create opportunities in the construction industry. This mechanism would have two main features. First, employment clauses would be written into all contracts which are either issued or financed by the provincial government, requiring successful bidders to recruit a specified portion of its labour force through the placement service administered by the provincial government. The employment clause in a particular contract would be determined on the basis of considerations relating to the area in which the project is to be located, the nature of the project, etc. Minimum requirements of 5 percent south of the 53rd parallel and 20 percent north of the 53rd parallel for all types of construction,<sup>14</sup> would represent a modest beginning. Second, craft unions and firms in the construction industry would be advised by the Department of Labour that at least 10 percent of total registered apprentices in the construction trades by 1973 will have been assigned through the placement service administered by the Manitoba government and that this ratio will be maintained in the foreseeable future--at the present time, approximately 1000 apprentices are registered in six construction trades: bricklaying, carpentry, electrical construction, painting and decorating, plumbing, pipe fitting, and sheet metal. Progress of individuals registered in the apprenticeship program on this basis should, of course, be carefully monitored to ensure that they receive fair, and proper consideration from both firms and trade unions. This combination of approaches would provide individuals with access to work opportunities in the construction industry and to access to opportunities for progression in the skilled trades.

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<sup>14</sup>The data required to prepare an estimate of the impact of this measure are not currently available.



Perhaps the most serious and complex challenge to the government is that of creating opportunities for people of Indian ancestry within the primary labour market. It will be useful in what follows to think of this problem as having two dimensions. These are: first, the distinction between the Indian and the Metis; and second, the distinction between the north, rural south, and urban centres. The first distinction originates in the inter-governmental distribution of responsibilities for the two groups of people. This creates certain types of problems in areas where Indians and Metis live in adjacent communities. The problem is altogether too complex to be dealt with here. It should be noted, however, that until some technique is found that will effectively link the two groups both for the purpose of developing programs and for the purpose of generating political action, attempts to effect improvements will be frustrated. The second distinction is important because there is some evidence to suggest the existence of a view that the problem of disadvantaged persons of Indian ancestry is confined to the north. This is not the case now, and is less likely to be the case in the future, simply because of the pressures which are forcing migration from the northern reserves to urban communities in the south. Similar migration patterns are evident in the south where unemployment rates of 40 to 60 percent in the age groups 16 to 44 on reserves are common. The most disturbing aspect of this accumulation of people of Indian ancestry in the urban centres is that the dual society which has become entrenched in rural areas of the south and in the north is being replicated in them.

It is anticipated that the previous proposals relating to placement will benefit individuals of Indian ancestry living in all areas of



Manitoba. The largest proportion of the population of Indian ancestry does, however, live in the north and the range of industrial activities in this part of the province is much smaller than it is in the south. Mining and forestry are the major source of private sector employment north of the 53rd parallel. Since it is improbable that unemployed individuals in northern communities will be absorbed into these industries as a result of the voluntary efforts of employers, trade unions, and communities, the government must intervene. The following measures are desirable. First, future agreements concluded with firms exploiting natural resources should contain specific clauses relating to employment which would require a firm to recruit a specific percentage--up to 75 percent would not be unreasonable--of its labour force through the placement service administered by the Manitoba government, and to absorb the cost of whatever training is required to prepare these workers for productive employment. In addition, the clause should provide for a periodic inspection of payroll records, worksite, etc. to determine if requirements are being met, and specify the precise nature of penalties--they should be heavy--for failure to meet the requirements specified in the agreement. Second, firms currently exploiting natural resources should be required by legislation to notify the provincial placement service of all vacancies attributable to turnover and expansion, and to accept workers referred by the placement service. The same conditions relating to employment which are to be included in future agreements should also apply in the case of existing firms.<sup>15</sup>

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<sup>15</sup>Estimates prepared by Paul Nikkel of the Planning and Priorities Secretariat in the Manitoba Government suggest that turnover is likely to





These measures would contribute to a reduction in unemployment and underemployment in the north but they will not solve the problem. Other measures should be introduced simultaneously. The resources of the Manitoba Development Corporation, the Community Economic Development Fund, and the Department of Cooperatives should be committed to industrial development in, or in close proximity to reserve and remote communities. These developments would be centered in, but not restricted to the north. The assessment of the potential of particular projects both before they are initiated and when they are in operation should be based on the relationship between social costs and benefits rather than the calculus of profit and loss--currently used to assess projects. In particular, it must be recognized that work activities are goods and the positive externalities produced by such activities are high. In addition, work experience projects initiated in the north should de-emphasize education and counselling, etc.--perhaps eliminate them entirely,--and concentrate on the creation of work activities and the production of facilities--housing, health, etc.--which will enhance the welfare of communities.<sup>16</sup>

The purpose of introducing measures designed to induce an expansion in the primary labour market is to improve the work activities

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be a more significant source of job opportunities than is expansion. These estimates indicate that 1000 vacancies per annum appear in mining and forestry firms as a result of turnover. These estimates are not, however, adjusted for multiple turnover in specific jobs, so that the number of jobs available would probably be much less than 1000.

<sup>16</sup>These recommendations are supported by the findings of P. Deprez and G. Sigurdson in a recent report on the problems of Indians in Canada. See The Economic Status of the Canadian Indians: A Re-examination, (Winnipeg, Center for Settlement Studies, 1970), 1970).



available in Manitoba. To achieve such an expansion the government should emphasize the following measures: first, promote the expansion of those labour market institutions which characterize the primary labour market; and second, employ labour standards, minimum wage and other types of legislation as active instruments of manpower policy. The following series of proposals is intended to illustrate the types of specific measures which are required to induce an expansion in the primary labour market. The first two proposals would demand a radical change in the current position of the government, but the remaining four are consistent with current policy. First, measures should be introduced to promote trade unionism and collective bargaining in Manitoba. This would result in the extension of unionism and collective bargaining to unorganized sectors of the economy, and would contribute to the relative expansion of the primary labour market. Moreover, and perhaps more important, this measure would tend to rejuvenate organized labour in Manitoba, and to increase its participation in, and its support of, other progressive measures.<sup>17</sup> Second, a dual system of labour standards should be introduced. The one set of standards would be industry specific. Particular standards would be based on the average standard obtained in the industry and changed as the average standards change. For example, the industry standard established for holidays might be two weeks. When

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<sup>17</sup>The Manitoba Government made a number of amendments to the legislation pertaining to labour relations in the legislative sessions ending in July, 1972. The Minister of Labour described the new legislation as the most progressive in Canada. He is probably correct--since labour legislation in Canada is not very progressive--but the changes fall far short of the changes required to make a difference.



the majority of workers in the industry are receiving three weeks holiday, the industry standard would automatically be adjusted to three weeks. Through this system of standards uniformity of conditions would be established in particular industries. The second set of standards would be general in their application and would be designed to set standards in the unorganized and low productivity sectors of the economy. To illustrate how this set of standards would work, the same example can be employed. Assume that the general standard established for holidays is two weeks. When the majority of the workers in the labour force in all industries in the economy are receiving three weeks holiday, the general standard would be automatically increased to three weeks. Third, the government should introduce legislation requiring employers to give advance notice of changes in the organization of production or production methods which would involve labour displacement and/or changes in working conditions. This requirement would give workers an opportunity to negotiate on the proposed change. If layoffs became inevitable, then the affected workers would have an opportunity to make alternative arrangements, and, in cases where alternative arrangements were not possible, give public agencies adequate lead time to develop intelligent adjustment programs. A further benefit of this proposal is that it would promote planning in firms and organizations in both the private and the public sectors. Fourth, the government should introduce legislation to prevent employers from docking wages of workers who require time off for legitimate purposes such as seeking medical advice, jury duty and similar activities. This type of legislation would eliminate one of the barriers to utilization of specific services and participation in certain types of activities, and provide





the worker with additional control over his activities in the work place. Fifth, the government should introduce legislation to curtail the activities of labour contractors. The purpose of this legislation would be to eliminate the exploitation of workers in the secondary labour market as a source of profits. CMCs should adapt their operations to provide services to these disorganized sectors of the labour market, and, if they are incapable of responding, then the provincial government placement service should assume the responsibility. And sixth, existing labour standards, minimum wages and related legislation should be extended to sectors of the economy currently excluded from coverage. Extension of these types of legislation to cover all sectors of the economy would contribute to a decausalization of certain types of activities in the secondary labour market--particularly the agricultural sector of the economy. These proposals do not exhaust the list of possibilities that might be introduced by government. Indeed, they hardly scratch the surface. The major point to note in relation to these proposals is that expansion of the primary labour market is best achieved through the use of existing legislation.

This completes discussion of specific measures consistent with a manpower policy derived from the concept of a dual labour market. Therefore, it is appropriate at this point to present the relevant caveats. In general, it is proposed that manpower policy should consist of measures which are designed either to expand the primary market or to enhance mobility from the secondary to the primary market. Most of the specific measures related to the latter objective, that is, to enhance mobility, simply represent the more sophisticated use of existing approaches to





achieve "equity" objectives. Introduction of these measures are unlikely, therefore, to cause serious dislocations. The most important economic effects would be a redistribution of income which is implicit in the proposed changes in the composition of groups participating in programs and a shift of certain training, recruitment and screening costs from the public to the private sector which would result from recommended changes in the content and emphasis of existing programs. Moreover, the impact of these measures with respect to poverty, the problem which is the primary concern in this paper, is likely to be marginal, simply because the evidence suggests that employers do not adapt their jobs structures in response to adjustments in conditions on the supply side. To ensure that workers who would otherwise be confined to the secondary market can move up after participation in training and similar programs, the government must ensure that jobs are available for them.<sup>18</sup> This is the purpose of the proposed quota systems.

An implicit assumption in the discussion of the quota systems is that workers who would be placed in jobs as a result of the system are currently denied access to these jobs on the basis of factors which are unrelated to their abilities to perform them. In other words, it is assumed that there is no difference between the productivity of workers who would be placed in jobs under a quota system and the productivity of workers who would otherwise man them. If this assumption is wrong, and the workers

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<sup>18</sup>I am indebted to David M. Gordon for pointing out to me that this point should be stressed, otherwise policy makers may assume that they can enhance labour market equity to some extent by introducing the prescribed innovations in existing programs on the supply side. This is, of course, an illusion.



placed under a quota system are less productive than other workers, then, of course, labour costs of affected firms would tend to increase, at least in the short run. The restriction of the general quota system to firms with 100 or more employees and its progressive character would serve as hedges against this possibility. In general, it is assumed that large firms have a margin of inefficiency--in the "X-efficiency" sense--<sup>19</sup> which could be reduced to compensate for productivity differentials, and also greater capacity to adapt jobs structures in response to qualitative changes in the labour force. A further and potentially more serious source of increased labour costs for the affected firms originates in the fact that the status of workers is derived in part from the knowledge that there are groups in the populations who are unable to perform their jobs. If the quota system meets its objective the morale and, therefore, the productivity of these workers would be adversely affected. Again this is likely to be a short run effect which should disappear as workers expectations adapt to the changed conditions. In the case of the quota systems, which are recommended for construction and resource firms, potential effects would be similar in kind but different in degree. On the one hand, differences in worker productivities could result in a combination of reduced profit margins, increases in prices and a redistribution of the wage bill. But on the other hand, the morale of the labour force in these firms is less likely to be adversely affected by the introduction of such a system because they tend to be much more heterogeneous in their composition and much more unstable in their character than labour forces in other industries.

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<sup>19</sup> Leibenstein, Harvey. "Allocative Efficiency vs X-Efficiency," American Economic Review, Vol. LVI (1966), pp. 392-415.



Quota systems are an essential feature of a manpower policy designed to move workers from secondary to primary markets. Their overall impact with respect to poverty is, however, likely to be marginal. All that would be achieved through the proposed systems is a modest redistribution of jobs from workers in groups which have a comparative advantage in the labour market to workers in groups which are handicapped in the labour market.

In contrast to measures intended to enhance mobility, measures intended to affect an expansion of the primary market are likely to have much more impact on the structure of labour markets, and, therefore, much more impact on the cost structures of producing units. As a general qualification to this approach, it may be noted that it is neither possible nor desirable to attempt to convert all secondary jobs to primary jobs. For example, jobs which are confined to particular seasons of the year, such as those which are tied to the summer influx of tourists, are not very receptive to decasualization. In any case, these jobs tend to be compatible with the requirements of individuals who are in a phase of the life cycle which requires them to have a loose attachment to the labour force, such as students and housewives with family obligations. The jobs which would be the major objects of such an approach would be those secondary jobs which are organized within the framework of relatively unsophisticated internal labour markets and secondary jobs which are attached directly to primary markets.

Most of the specific measures for expanding the primary labour market proposed in this paper, such as changes in the minimum wage, promotion of trade unionism and collective bargaining and revisions in labour standards legislation would tend to increase labour costs. This tendency would necessitate compensatory adjustments in the affected firms. The nature and impact of these adjustments would depend to some extent on the general state





of the provincial and national economies. If aggregate demand is buoyant, and labour market conditions tight, then such measures would tend to be inflationary in their impact. How inflationary they would be depends in part, at least, in how much capacity firms have to compensate for the changes by increasing their efficiency. It is probable there would be less scope for efficiency adjustments in small firms in competitive markets than there would be in firms which are insulated from serious competition. Thus, it is likely that such measures would result in the "deaths" of marginal firms in some product markets. If Manitoba were the only province to use such measures for the express purpose of expanding the primary labour market, then the competitive position of firms producing for markets outside the province and firms competing in provincial markets with the products of firms outside the province, would tend to deteriorate. To what extent this would affect the market shares of Manitoba firms would depend in the short run on their capacity to compensate for the increased labour costs either through increases in efficiency or through reductions in profits. In the longer run those firms whose competitive positions are jeopardized by the changes may, if they are in foot-loose industries producing for a national market, relocate; or may, if they are compelled to remain in Manitoba because of factor or market considerations, either introduce labour saving innovations or shut down. These adjustments would, in combination, have a negative employment effect. However, given tight labour markets and a growing economy, the impact of such affects and the nature of the measures required to offset them would depend primarily upon their industrial and geographical distribution.

Two other factors which appear to be relevant in the longer run are: the impact of the proposed measures on the labour force participation



rate; and the effect which the resulting redistribution of income has on the allocation of consumption expenditures. Two responses might be anticipated in connection with the first-mentioned factor. First, the improvements in wages and working conditions might attract non-participants into the labour market. And second, these same improvements may make it possible for secondary labour market participants compelled to enter the labour market by income considerations, to leave. The magnitude of these effects and therefore the overall effect is difficult to predict with certainty. Similarly, the income redistribution effect would have two dimensions. The changes could result in both a redistribution of income from property owners to wage earners and a redistribution of the total wage bill. In general it would be expected that these shifts would stimulate the demand for provincially-produced goods and services, such as housing, food, clothing and personal services. The expansionary effect in these industries would tend to offset adverse employment effects originating elsewhere in the economy.

These caveats do not offer much in the way of guidance with respect to the specific impact of initiating the proposed changes in manpower policy. They do, however, point out that these measures, particularly those designed to expand the primary market, will not be neutral in their impact. The basic determinant with respect to their impact is the way in which the measures affect labour costs; and this depends to a large extent on two factors about which little is known, namely the margin of inefficiency in, and the monopsony power of firms in Manitoba. The important thing is that governments be aware of the probable nature and direction of disturbances resulting from the introduction of these measures and be prepared to respond to them. Thus, if it turns out that the changes do result



in a negative employment effect of some significance, then the government should be prepared to compensate through changes in income maintenance programs and through an expansion in employment in the public sector.

To summarize briefly. This thesis hypothesizes that the neo-classical model of the labour market and the economy is inadequate for the purpose of understanding and therefore finding solutions to contemporary problems. Support for this hypothesis is contained in the development and implementation of manpower policy in the province of Manitoba. It is suggested that the model which best captures the realities of labour market conditions in Manitoba with respect to the problems of poverty and underemployment is the dual labour market theory. The implications of this theory are that the problems which are of concern to the Manitoba government are rooted in the structure of the labour market and the nature of economic institutions. An alternative approach to manpower policy which is based on the dual labour market theory is proposed. This policy and the associated measures would not result in significant changes in the economic system. They would, however, produce some amelioration in the labour market and, of more importance, could provide a foundation for the subsequent introduction of the changes which are required in our economic system.



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## APPENDIX

### Description of Types of Training Offered by Youth and Education From Which Manpower Makes Purchases.

#### 1. Skills Development Courses of One Year or Less Duration

Courses in this category are designed for, but not restricted to unemployed and underemployed individuals 15 years of age and over. Most of these courses have an educational entrance requirement of Grades 10, 11 and 12, or the vocational training preparation equivalent. The 40-45 courses currently offered in the three Community Colleges are concentrated in the following broad occupational categories:

Clerical and Sales; Service; Machine Trades; Bench Work; Structural and Technical.

#### 2. Apprentice Training

Individuals indentured in the 20 trades designated under the Manitoba Apprenticeship Act are required to take 4 - 8 weeks of classroom training in each year of their apprenticeship. Most apprentice training is provided in Red River Community College in Winnipeg.

#### 3. Basic Skills Development Training

This type of training is designed to prepare individuals lacking the required educational prerequisites for entry into vocational courses. The characteristics of the four levels offered in this type of training are summarized in the following table.





# CHARACTERISTICS OF SKILLS DEVELOPMENT TRAINING LEVELS

## CONTENT

<u>Level</u>	<u>Educational Prerequisites *</u>	<u>Duration</u>	<u>Mathematics</u>	<u>Communication</u>	<u>Science</u>	<u>Objective **</u>
	(Grade)	(Weeks)	(Hrs)	(Hrs)	(Hrs)	(Hrs)
IV	4 - 5	8	120	120	-	Level III
III	6 - 7	16	200	200	80	Level II & a limited number of vocational courses.
II	8 - 9	16	160	160	160	Level I & most pre-employment vocational courses.
I ***	10 or 80 percent average in Level II	20	220	180	200	Vocational courses of one year duration but having Grade II educational prerequisite.

\* Placement is partially determined on the basis of the results of tests administered by employment counsellors.

\*\* The various Levels are designed to prepare individuals for entry into the types of training specified in the "Objectives" column.

\*\*\* Two options are available in Level I, the one emphasizing industrial applications, the other emphasizing business applications.



4. Special Vocational Training

This category of training consists of courses offered outside of the regular training centres in response to the specific needs of groups of individuals in certain areas of the province and/or certain occupations. Normally the training in a specific course is designed either to equip individuals to take advantage of available employment opportunities or to upgrade the skills of self-employed individuals in declining sectors of the economy.

5. Occupational English

This category of training is designed for recent immigrants from non-English speaking countries.

The participation of Manpower in the various types of training in the 12 month period ending March 31, 1971 is indicated in the following table.

MANPOWER PARTICIPATION IN TRAINING PROGRAMS OPERATED BY YOUTH AND EDUCATION  
IN THE 12 MONTH PERIOD ENDING MARCH 31, 1971

<u>Type of Training</u>	<u>Total Enrollments</u>	<u>Manpower Enrollment*</u>	<u>Manpower Enrollment as Percent of Total</u>
Skills Training	4569	2869 (1167)	62.8
Apprentice Training	1451	1451 ( - )	100.0
Skills Development Training	3458	2885 ( 415)	83.4
Occupational English	481	441 ( 222)	91.7
Special Vocational Training	769	724 ( - )	94.1
	<u>10,728</u>	<u>8,370 (1,804)</u>	<u>78.0</u>

\* Figures in brackets represent the number of individuals enrolled in the various types of training under the Manpower's 888 Program. This was a special incremental program introduced in response to the high levels of unemployment. A total of 90,300 training days were purchased on the basis of the supplementary 888 contract.



\*\* Estimated gross expenditures on the specified categories of training in 1970-71 was \$6,957,000. Total recovery from Manpower is estimated at \$3,597,000 or 51.7 percent of the total.

Source:

Preliminary estimates prepared by the Review and Development Branch of the Department of Youth and Education.

















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